FOREIGN AGRICULTURE

June
1980

United States Department of Agriculture Foreign Agricultural Service

Zimbabwe Returns to World Trade Fold • Farm Reform Pressures Mount in the Common Market • Meat Expansion Stymied in the USSR Indonesia—Growth Market in the Making • China's Farm Imports

MIATCO Has 10th Anniversary, Was Pioneer in State/Federal Farm Export Promotion

Congratulations on the 10th Anniversary of the Mid-American International Agri-Trade Council.

The MIATCO organization was a genuine pioneer in the effort to bring together the resources of the State Departments of Agriculture and those of the Foreign Agricultural Service to work toward the common goal of expanding the export of U.S. agricultural products.

These first 10 years have been years of learning and years of change to fit what we have learned. One of the most important of these changes was the move 3 years ago to enter into contracts with the state groups along the lines of the cooperator agreements. This allowed more flexibility in programming and gave us a systematic approach to developing and carrying out program activities.

Success in market development is geared to the ability to plan a total approach, a willingness to experiment with new approaches, and a belief in foreign market development strong enough to generate adequate and continuing state financial support.

MIATCO officials over the years have shown a willingness to do all those things. The latest example is the SIAL exhibit, scheduled for later this year in Paris, for which FAS has turned most of its traditional exhibit functions over to MIATCO.

This is a new approach, and we hope it will succeed, so that we can direct more of the participation in foreign trade exhibits to state groups, which can represent the interests of potential exhibitors from the states better than anyone else in government and have a better feel for their needs in international exhibits. We are looking at other joint exhibit possibilities in 1981.

We now have six overseas agricultural trade offices in operation—in London, Bahrain, Singapore, Seoul, Hamburg, and Miami. We have a trade officer in Warsaw and plan to open that office by May 28. By the end of the current year, we hope to open four more offices—in Beijing, Caracas, Tunis, and Abidjan.

This will give us a total of 11 offices, covering most of the trading regions of the world. We plan to use these offices to evaluate the impact of the trade office concept and to try new approaches to market development, with a key role for state groups.

Very soon, MIATCO and the other state groups will be asked to support trade office activities. We are suggesting that state groups, in effect, "adopt" selected trade offices for a period of time to develop and support different promotional events.

One of our objectives is to see if we can develop through the state groups a systematic approach to a continuing flow of new products to trade offices. We will need your suggestions and your help in directing U.S. business travelers to trade offices overseas.

We are authorized up to 25 of these offices, but we have no funds in the fiscal 1981 budget for more, and we are not planning to request funds to open additional offices in fiscal 1982 because we want to make a thorough evaluation of the trade office role.

We expect that in fiscal 1981 we will have about the same amount of money in total for market development as we have this year. If so, we will try to establish some priorities for work with the state groups, and these will probably include trade office support activity.

We hope to take a very big step toward improving the efficiency of TORS this year. We will attempt to put TORS into embassy computer systems in London, Paris, and Seoul that will be linked with Washington. The State Department plans a word-processing hookup with all U.S. embassies abroad through a satellite relay, and we hope to use this to work out a system that eventually will give us direct computer-to-computer communications between the field and FAS in Washington.

I would like to remind you that while MIATCO is a team of 12 states working to promote their exports, it is also part of a larger team of four state regional organizations and more than 40 commodity cooperator groups with similar goals.

The work of each of these groups contributes to the American presence in foreign markets. Whether it is cotton or corn, wheat or almonds, every door that is opened to an American product makes it easier for other American products to follow.

This emphasizes the need for state groups to actively support the commodity cooperators who are working in export promotion. Currently, more than $15 million is being generated yearly, mostly through commodity checkoffs, to support export sales efforts of commodity groups.

This, combined with the FAS contribution and the contributions of groups and individuals overseas, produces a total program of more than $55 million for export sales promotion.

With the importance of exports to farm income, it seems clear to me that MIATCO, perhaps more than any other regional group, should place a high priority on support among its member states for strong commodity export programs.

—From remarks by Thomas R. Hughes, Administrator, FAS, at 10th Anniversary meeting of MIATCO in Chicago.

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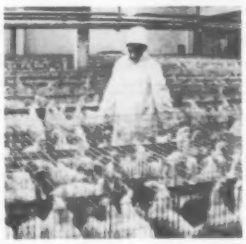

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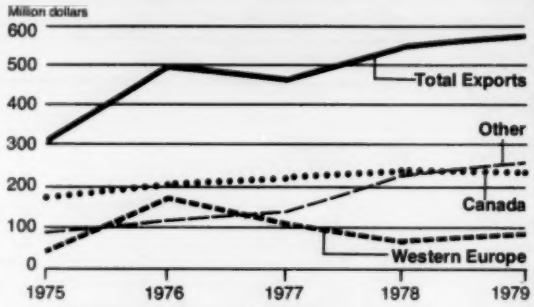
U.S. Vegetable Exports by Destination[1]



[1]Excluding melons, dried beans, and dried peas.

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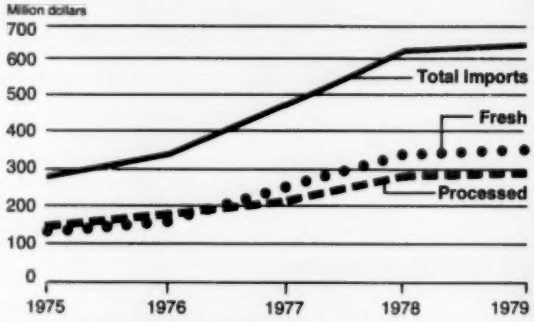

[1]Excluding melons, dried beans, and dried peas.

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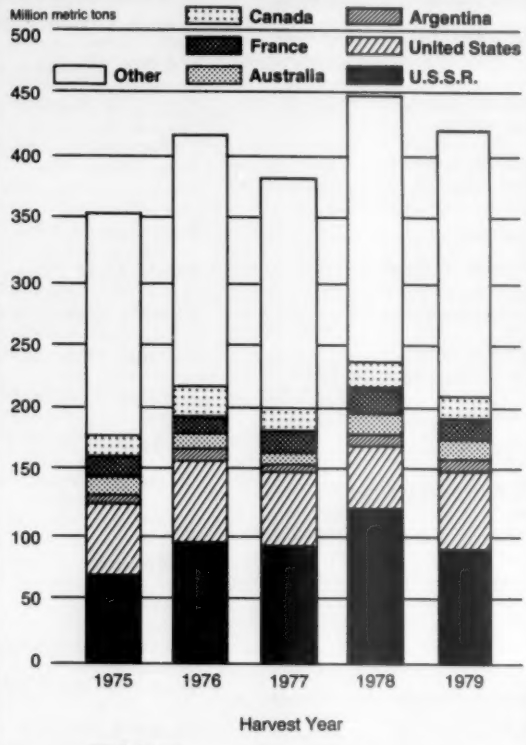

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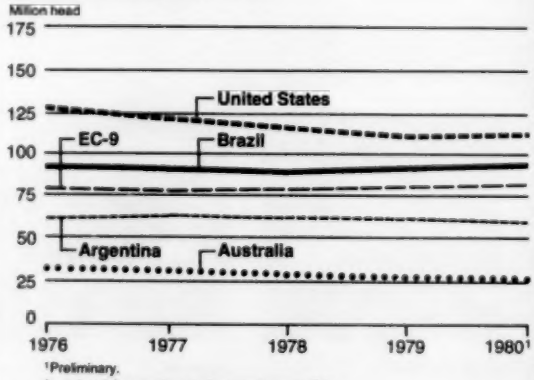
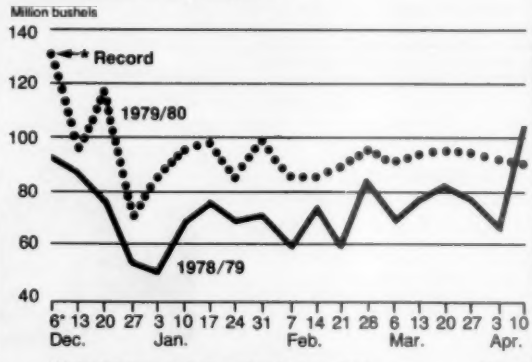


[1]Preliminary.
Inventory taken as close to January 1 as possible.

Weekly Inspections of U.S. Grains[1] and Soybeans for Export[2]



[1]Grains include corn, wheat, sorghum, barley, and oats.
[2]Week ending on date given.
*Record

COMMODITY UPDATE

THE FIRST USDA ESTIMATE OF 1980/81 WORLD OILSEED PRODUCTION IS 162-178 MILLION TONS, marginally below the current-year production forecast of 178.4 million tons. Primarily responsible for the lower estimate are a 20 percent reduction in sunflowerseed plantings, a return to normal soybean yields following last year's record yields, and a small reduction in total foreign oilseed production.

Shipments of soybeans to China and soybean oil to India continue to outpace last year's levels. As of April 27, accumulated export sales of soybean oil to India had reached 301,300 tons, compared with 100,100 tons during the same period last year and total shipments during 1978/79 of only 101,300 tons. Soybean exports to China have reached 642,000 tons, a fivefold increase over the year-earlier level.

Record oilseed supplies and a stronger dollar depressed soybean prices throughout much of April. Soybeans averaged $5.81 per bushel, compared with $6.07 during March. Soybean oil was off 8 percent and soybean meal was 5 percent lower. However, reports of dry weather conditions in the United States, particularly in some wheat growing areas, and a weakening dollar helped push soybean prices close to the $6 level later in the month.

ON MAY 9 THE NEW YORK WORLD SPOT PRICE FOR RAW SUGAR WENT OVER 30 CENTS PER POUND for the first time since February 1975. The upsurge was a result of continuing pessimistic reports about the level of 1979/80 world sugar output as well as early problems with the 1980/81 crop in some countries.

WORLD COTTON PRODUCTION IN 1980/81 IS FORECAST AT 63-68 MILLION BALES (480 lb net), based on the FAS *World Crop Production Circular* of May 9. Current season production is estimated at 65.3 million bales, 9 percent above the 1978/79 level.

The 1980/81 U.S. crop is projected at 12.2-15.2 million bales, based on the April prospective plantings report. Current production is estimated at 14.6 million bales, the largest crop since 1965. Early reports suggest foreign plantings will be 2-4 percent higher. Foreign production is projected at 50-53.6 million bales, compared with 50.7 million bales in 1979/80.

U.S. exports in 1979/80 are forecast at 9 million bales, the highest level since 1931. China, Japan, and Korea are the largest U.S. foreign markets. Good sales of 1980/81 crop cotton have been made for delivery next season.

EARLY INDICATIONS FOR 1980/81 POINT TOWARD A SMALL INCREASE IN WORLD GRAIN TRADE and little or no change in the basic global supply-demand balance as 1979/80 draws to a close. Harvested area, which has declined on a worldwide basis for the past 3 years, is likely to show a significant increase, indicating prospects for higher global production.

Feed usage, the main year-to-year variable from trend in global utilization, is likely to experience a second consecutive year of relatively slow growth.

Some buildup in world wheat stocks is likely unless weather is very poor, while for coarse grains and rice, stocks are more apt to be drawn down slightly, depending upon weather and crop outturns.

The Soviet Union, which was a major factor in pushing up world grain trade in 1979/80, is unlikely to alter its overall level of imports significantly in the coming July/June year. With an above-average weather crop, Soviet imports might only decline moderately, since stocks probably need to be built. With a poor crop, a significant upswing in Soviet imports is unlikely as long as export restraints initiated this year by the United States and various other exporters are continued. The aggregate of imports by all other countries is likely to show an unusually small overall increase.

U.S. TOBACCO EXPORTS IN MARCH WERE SHARPLY HIGHER than in March 1979. Leaf exports were up 42 percent in volume and 48 percent in value to $175.2 million. March exports of tobacco products—mainly cigarettes—were $143.9 million, 61 percent greater than in the comparable month of last year.

Burley accounted for most of the increase in monthly leaf exports, as shipments more than doubled to 16,000 tons and $92.7 million. The Netherlands, West Germany, Thailand, and Japan were key export markets.

Cumulative fiscal-year totals (Oct.-Mar.) were $554.9 million for products, up 37 percent, and $806.8 million for leaf, 5 percent behind last year's pace.

March leaf imports rose 34 percent in volume and 31 percent in value to $42.8 million, pushing fiscal-year totals to 21,000 tons and $40.1 million.

U.S. POULTRY MEAT PRODUCTION, AT 6.5 MILLION TONS IN 1979, WAS 10 PERCENT GREATER than in 1978 and is expected to increase by about 6 percent in 1980. The 1979 production consisted of broilers (78 percent), fowl (5 percent), turkey (16 percent), and other poultry meat (1 percent).

U.S. poultry meat exports last year gained 20 percent in quantity and 27 percent in value, with a 1979 export value of $275.9 million, of which $195.5 million were broilers.

Egg production, at 69,277 million in 1979, was up 3 percent, with a 1 percent increase forecast for 1980. Exports were down 20 percent in 1979 from the 1978 high, but were still the second highest on record. An increase of 8.5 percent is forecast for 1980.

SPAIN AND GREECE EXPECT TO REDUCE OLIVE EXPORTS IN 1979/80, WHILE U.S. IMPORT NEEDS are seen exceeding those of the previous year.

The 1979/80 Spanish table olive crop is currently placed at 204,000 metric tons, compared with 205,000 tons last year. However, output of exportable qualities is estimated to be 7 percent smaller—123,000 tons. The reduced size of the exportable-quality Manzanillas crop—at only 48,000 tons—was a result of a normal letdown after last year's record of 66,000 tons. Consequently, olive exports for the 1979/80 season also are projected to be 7 percent lower (85,000 tons) than last season's.

Because of heavy frost damage during January 1979, Greek table olive production for 1979/80 is estimated at only 44,080 tons, a drop of 37 percent from the 1978/79 level. However, exports are not expected to be down as drastically (35,000 tons vs. 47,700 tons in 1978/79), owing to a sharp slump in consumption and retail price gains, which have boosted export supplies.

Light-bearing U.S. olive trees, after setting a 1978 record of 114,300 tons, yielded a 1979 olive crop of only 53,500 tons, of which 47,400 tons were canned. Consequently, U.S. imports of table olives this season should exceed the 34,072 tons imported in 1978/79. Spain normally accounts for close to 90 percent of U.S. olive imports, with Greece supplying most of the remainder.

An Independent Zimbabwe Moving To Reclaim Its Farm Trade Position

By John H. Wilson

Freed now from the restraints of trade sanctions and destructive civil war, the newly independent nation of Zimbabwe (Rhodesia) is poised to resume its former role as a leading exporter of tobacco.

Zimbabwe also may have some surprises in store for those who remember it as a tobacco-based economy, producing primarily flue-cured tobacco for a guaranteed U.K. market. Today, it is positioned not only to boost tobacco exports back to peak levels recorded in the early 1960's, but also to broaden markets for a host of other export crops that have gained importance during the past decade.

Independence came to Zimbabwe on April 18, 1980, after 90 years of white minority rule, 15 years of unilaterally declared independence, 7 years of civil war, and a 128-day decolonization period. The final transition phase began when the British Governor Lord Soames arrived in Salisbury to oversee the Government and elections that brought Prime Minister Robert Mugabe to power.

International economic sanctions against Rhodesia were terminated 10 days after the arrival of Soames. Since then, economic aid has flowed in from the United Sates, the European Community (EC), and other nations to help rebuild the country's wartorn economy and resettle refugees.

Now comes the task of restructuring the nation, both socially and politically, and repairing economic damage stemming from the U.N. trade sanctions and guerrilla warfare. This will not be easy, but Zimbabwe's extensive mineral wealth, high degree of industrialization, and viable farming community give it a solid start.

The author is an agricultural economist, International Trade Policy, FAS.

For agriculture, this means reestablishing ties in foreign markets from which Rhodesia was excluded in 1965 following its unilateral declaration of independence (UDI).

The U.N. sanctions that followed UDI had a mixed impact, but they were particularly disruptive to tobacco exports in view of Rhodesian dependence on tobacco markets in the United Kingdom and other European countries. They were not as effective, however, against other commodity exports, which moved out under a contraband trading network established by Rhodesia through sympathetic nations such as Portugal and its African colonies and, later, South Africa.

These other export crops were emphasized by Rhodesia as an alternative to tobacco, with the result that by the early 1970's the country was exporting sizable quantities of sugar, cotton, corn, and meat products. Exactly who was buying the products is not known, owing to the secrecy surrounding this illegal trade, and the last years of the war apparently saw declines in most of the country's exports. With these problems behind it, however, Zimbabwe should soon be able to establish itself in some of the important world markets for such products.

Tobacco exports too could rebound to their peak levels of the early 1960's, as Zimbabwe harvests a bumper 1980 crop and begins to sell some of the large carryover stocks from its 1979 crop. That harvest in itself totaled an impressive 112,000 metric tons, compared with a low of less than 52,000 tons in 1970 and the record high of 137,811 tons achieved in 1964. The equivalent of about a year's production may now be in storage, leaving Zimbabwe with potentially record levels of tobacco available for export during 1980.

Assuming its return to traditional trading patterns, Zimbabwe can be expected to market much of the flue-cured tobacco in the United Kingdom and other EC nations. Zimbabwe's ability to compete, moreover, will be aided by the duty-free status granted to its tobacco by the EC in January.

For the United States, an exporter of $325 million worth of flue-cured tobacco to the Community in 1979, this could bring further difficulties in a market already narrowed by heavy competition from other suppliers.

Informed sources, however, feel that the largest trade impact will be on those exporters who moved in with lower quality flue-cured to fill the gap left by Rhodesia's disappearance from the marketplace. They include South Korea, Thailand, Argentina, Brazil, Malawi, and Tanzania, whose combined production of flue-cured jumped from an estimated 300,000 tons in 1966 to 433,000 in 1979. EC imports of their tobacco have increased from an annual average of 49,600 tons during 1965-69 to 159,540 tons in 1978. Brazil was the largest of these suppliers in 1978, with 56,126 tons, followed by South Korea, with 26,910 tons.

Agriculture Pre-UDI

At the time the United Nations imposed economic sanctions, Rhodesia's agricultural sector was flourishing and expanding. Agriculture was the largest single sector in the economy and accounted for about 20 percent of the country's gross domestic product.

Tobacco, primarily flue-cured, was the mainstay of Rhodesian agriculture, with about one-half of the total gross value of commercial crop and livestock production during 1963-65, followed at a distance by corn, beef, sugar, dairy products, and seed cotton.

Tobacco's strength in the economy began after World War II, when a shortage of dollars for the purchase of U.S. tobacco prompted the British to focus on its African colony of Southern Rhodesia as an alternative supplier. The United Kingdom granted Southern Rhodesia's then-fledgling tobacco industry a guaranteed purchase agreement, touching off rapid expansion in Rhodesian production and exports.

Exports that had averaged less than 220 tons annually during the 1930's and 14,000 annually in 1940-45, began an upward trend that culminated in a record 115,424 tons in 1964. Flue-cured tobacco that year represented nearly

75 percent of the value of Rhodesian agricultural exports and one-fourth of its total exports. Rhodesia also was producing about 50 percent of Africa's tobacco and 2.5 percent of the total world output while accounting for 11 percent of world tobacco trade.

The United Kingdom's import guarantee to Rhodesia totaled about 20,000 tons a year in the early 1960's, thus providing an effective export guarantee for the Rhodesian grower. Simultaneously, Rhodesia was benefiting from bilateral purchase agreements with other countries, including France and South Africa.

Other commodities obviously were subordinated to tobacco, but even then some were emerging as important foreign exchange earners. Beef products and sugar were the country's second and third leading agricultural exports, respectively. Exports of fresh, frozen, and chilled meats in 1965 were earning about $11.8 million; canned meats, $7.1 million; and hides and skins, $3.1 million. Raw sugar exports that year totaled 159,000 tons worth $9.8 million.

Post-UDI

Following the imposition of U.N. sanctions, Rhodesia was immediately cut off from its large tobacco markets in Europe and—able to use only about 5 percent of the crop domestically—began an ambitious program of agricultural diversification. Aiding this effort was a highly centralized and comprehensive marketing system revolving around the Agricultural Marketing Authority (AMA) and the Rhodesian Tobacco Board.

The AMA, a statutory body, was established shortly after UDI with the objective of advising the Minister of Agriculture on marketing and pricing of all controlled agricultural products, except tobacco. These products were regulated by the AMA through four marketing agencies—the Grain Marketing Board, the Cold Storage Commission, and the Dairy Marketing and the Cotton Marketing Boards—which helped implement changes introduced by the diversification program. Special emphasis was placed on boosting output of products then imported, or on those that could be funnelled into world trade channels.

Also crucial to the effort was the Rhodesian Tobacco Board, composed of most of Rhodesia's 3,000 flue-cured growers, and so powerful that, once a decision was made, it became law.

Thus ensued a unique cooperation between Government and growers in phasing down the once pre-eminent tobacco industry. Tobacco production subsequently fell from an average of 105,000 tons during 1961-65 to 50,000 in 1970. At the same time, tobacco growers remaining in business streamlined and modernized their operations to the point where average yields began increasing. These efforts, together with some shifting back into tobacco during the waning years of Rhodesia's existence, pushed tobacco production to a post-UDI high of 112,000 tons in 1979. Another bumper crop of about 115,000 tons is seen for 1980.

As reductions were made in plantings of tobacco, commercial production of grain and fiber crops and livestock products began to flourish, particularly during the early 1970's. Since 1976, however, there has been a marked decline in agricultural output and exports, owing largely to the war's adverse impact on the availability of manpower and other production inputs such as fuel and fertilizer. Last year's severe drought was a further setback to production and was particularly harmful to Zimbabwe's corn crop.

Total agricultural production in 1979 is estimated by the *Financial Times of London* at about $500 million, of which $435 million represents commercial output by white farmers. Zimbabwe's estimated 700,000 black farming families are chiefly involved with subsistence farming, mainly on Tribal Trust Lands;

Zimbabwe's Production of Major Agricultural Commodities, 1961-79

Item	Average 1961-65	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	1,000 metric tons										
Wheat	2	40	82	85	70	85	126	85	85	90	90
Corn	821	700	1,179	1,540	1,000	1,700	1,400	1,400	1,300	1,400	800
Millet	240	220	220	220	190	220	220	220	220	220	220
Sorghum	58	50	50	50	50	50	50	50	50	50	50
Barley	0	0	0	0	0	0	0	25	25	25	25
Pulses	21	23	24	24	25	26	26	27	27	20	23
Potatoes	22	22	23	24	25	25	23	23	23	22	22
Cassava	43	46	47	49	45	50	48	50	50	52	52
Tobacco, unmfr.	105	52	60	70	65	80	95	103	83	85	112
Cotton	3	48	48	44	48	43	40	38	38	32	30
Cottonseed	6	118	110	100	70	86	80	76	76	64	65
Peanuts, unshelled	123	104	108	125	110	120	120	122	110	120	120
Tea	1	2	3	4	3	3	3	3	3	3	3
Sugar, raw	86	136	150	175	200	248	250	265	250	275	275
Meats	170	177	185	195	200	200	200	202	204	195	195
	1,000 head										
Livestock:											
Cattle	3,558	3,900	4,000	4,100	4,150	5,700	6,000	6,321	6,800	6,600	6,500
Pigs	127	143	145	147	140	192	200	202	215	202	202
Sheep	386	450	460	470	480	748	750	650	650	650	650
Goats	550	690	700	710	730	2,007	2,020	2,050	2,050	2,050	2,050
Chickens	6,700	7,500	7,800	8,000	8,100	8,200	8,300	8,400	8,500	8,600	8,600

SOURCE: Prior to 1965, official Rhodesian data; after 1965, estimates by the U.S. Department of Agriculture and the U.N. Food and Agriculture Organization.

however, some 9,000 have freehold tenure (as opposed to communal ownership) and are partially oriented toward production for the market, rather than for their own consumption.

Commercial production of **corn** rose from an average of 821,000 tons in 1961-65 to a record 1.7 million tons in 1974, only to decline by some 400,000 tons during the war-torn years of 1975-79. Production was especially affected by last year's severe drought, which lowered 1979 output to an estimated 800,000 tons.

The decline in corn output is reflected in a drop in commercial area from 300,000 hectares in the early 1970's to an estimated 190,000 in 1979. Poor profitability from the crop caused a number of commercial producers to leave the business altogether and some to revert back to tobacco as the Rhodesian Tobacco Board gradually raised production quotas.

In the short space of 6 years, Zimbabwe has gone from a position of excess corn supplies to one where imports are necessary. This year, it is expected to buy about 40,000 tons of white corn from South Africa, in contrast to the 500,000-ton export level of mainly yellow corn achieved in 1974.

The supply situation should improve during 1981, however, as output improves from the drought-reduced level of 1979 and encouragement is given to African producers, who account for about a quarter of the commercial corn output.

Whether production and trade can return to the levels of the mid-1970's ultimately depends on the Government's policy toward this sector and the profitability of corn vis-a-vis other crops.

Wheat was a minor crop in 1965, but by the late 1970's, Zimbabwe had boosted production close to the self-sufficiency level. The change came as widespread fear that the U.N. sanctions would imperil supplies of this once-important import prompted the Government to offer wheat farmers high guaranteed prices. Wheat output, in turn, rose from an insignificant 4,000 tons in 1965 to its current level of about 90,000 tons. Helping to stimulate growth was a breakthrough in yields and the need for farmers to diversify out of tobacco.

Wheat imports consequently have fallen to the point where they now amount to only a few thousand tons, compared with an annual average of 88,000 in 1961-65.

Cotton output likewise expanded rapidly as progress was made in the control of cotton pests and former tobacco farmers found cotton to be well-suited to their lands. Production rose from an average of only 3,000 tons in 1961-65 to 48,000 in 1970 and again in 1971 and 1973 but then fell to 38,000 during 1976 and 1977 in the wake of civil unrest. Since then, output has recovered and is estimated at a record 55,000 tons for 1979/80.

Cotton exports also have increased in importance and at times have accounted for nearly three-fourths of total output. From only about 2,000 tons in 1965, exports shot to 34,840 tons in 1970, dipped to an average of about 29,000 tons during 1971-78, and then recovered to about 39,200 tons in 1979.

Sugar has followed a highly erratic but nonetheless generally upward course. In 1955, Rhodesia was producing only about 5 percent of its domestic requirements, importing the rest largely from Mozambique. By the early 1960's, production had swelled to the point where it was meeting internal demand with several thousand tons available also for export. Expansion continued in the 1960's, from 11,000 tons at the decade's beginning to 265,000 by 1966. However, the subsequent loss of foreign markets caused output to plunge to 136,000 tons in 1968, and 120,000 in 1969.

Since then, production has risen steadily in response to increased domestic demand and revitalization of exports, reaching a record 275,000 tons in 1978 and again in 1979. Production is expected to increase in value and volume this year, reflecting higher world prices and the anticipation of preferential treatment from the EC and other industrialized nations.

Sugar exports have paralleled the production swings. They began in 1961 with a 3,000-ton shipment and 4 years later had become Rhodesia's fifth most important export earner—outstripped only by tobacco, gold, asbestos, and meat products. After reaching a peak of 159,000 tons in

Continued on page 21

Zimbabwe: Agricultural Exports to all Destinations, 1964-79
[In metric tons]

Year	Tobacco	Sugar	Cotton	Peanuts	Corn	Barley
1964	115,424	65,000	—	434	32,000	0
1965	107,784	159,000	2,177	16	7,000	0
1966	70,000	65,000	4,354	150	110,000	0
1967	35,000	54,000	7,620	127	170,000	0
1968	25,000	75,000	16,330	1,200	100,000	0
1969	30,000	75,000	27,220	1,200	100,000	0
1970	40,000	90,000	34,840	1,200	50,000	0
1971	50,000	90,000	32,660	1,200	200,000	0
1972	60,000	95,000	29,390	1,200	250,000	0
1973	70,000	120,000	32,660	1,300	350,000	0
1974	80,000	115,000	29,390	1,400	500,000	0
1975	75,000	115,000	26,130	1,200	200,000	0
1976	80,000	150,000	26,130	1,200	200,000	15,000
1977	60,000	90,000	27,220	1,200	100,000	15,000
1978	60,000	110,000	30,500	1,200	100,000	15,000
1979	85,000	120,000	39,200	1,200	50,000	15,000

—denotes not available.
SOURCE: Prior to 1965, official Rhodesian data; after 1965, estimates by the U.S. Department of Agriculture and U.N. Food and Agriculture Organization.

France Eyes Expansion Of Chicken Exports

By Lynn Abbott

France's thriving broiler export industry—substantially subsidized by the European Community (EC)—is seeking additional EC support, which could result in expansion of overseas markets.

Most (about 85 percent) of France's frozen broiler output is channeled into export markets, with the rest moving through frozen food distributors to domestic institutional users.

Most chicken consumption in France is of chilled—rather than frozen—birds, although the trend is clearly toward a more highly processed product. In 1971, about two-thirds of the chicken sold included head and feet, and was eviscerated and singed in the retail butcher shop.

Today, about 40 percent is sold this way, with the rest sold as parts or ready-to-cook (eviscerated and singed, and packaged in plastic wrap).

France's export sales of broilers to other EC countries are sluggish, because of strong competition from Dutch broilers. The Middle East, North Africa, and the Soviet Union are the major markets.

French exports of broilers to these areas during 1979, in metric tons (with 1978 totals in parentheses), were: Middle East/North Africa, 90,000 (80,-100); USSR, 32,000 (3,100); EC, 4,400 (10,000); and others, 12,500 (9,500).

A recent contract calls for delivery to the Soviet Union, before June 1980, of 30,000 tons of broilers, including 20,000 tons from France.

Reportedly, the industry's marketing strategy includes projected expansion of sales in the Caribbean area, which in 1979 included about 6,-000 tons to such Francophone countries as Martinique, Guadeloupe, and Guyana, and another 660 tons to Cuba.

Three firms—all located in Brittany and using spin-chilling equipment and U.S.-style packing and freezing techniques—account for virtually all of France's chicken meat exported as whole birds.

These three firms claim a total capacity of 77,000 birds per hour. Capacity for an additional 18,000 birds per hour is planned.

French livestock production is concentrated in Brittany—25 percent of milk production originates there, 38 percent of pork output, 100 percent of chicken exports, 29 percent of broiler production, and 25 percent of egg output. There are several reasons for this concentration:

- High support prices for grain—and the relative lack of support for livestock prices—tend to hold down livestock production in France's grain regions.
- Costs for domestic grains in the EC are such that livestock producers must, whenever possible, be able to import world-market cereals or grain substitutes.
- Because of climate, topography, and transportation, Brittany is unsuited for grain production, but the mild climate makes it favorable for livestock.
- Several good seaports in Brittany provide ready access to imports of feed materials. The three chicken export plants are situated within 100 kilometers of Brest.
- The geographic remoteness of Brittany is not a deterrent because of the relatively low level of chicken shipments from Brittany to other EC countries.

Feed conversion ratios for the French broiler industry are considered favorable because of the price preference for soybean meal over grains. Because of this substitution, any comparison of U.S. and French feed conversion ratios is not valid. The best feed conversion ratio reported by the French National Agricultural Research Institute is about 1.7 for a 6-week-old male broiler.

The price of corn for a feed compounder in Brittany is very nearly as high as the price of soybean meal. In April, corn delivered to the compounder cost about $228 per ton, and Brazilian soybean meal cost about $263 per ton. These prices make it economically feasible to use soybean meal at the maximum level technically feasible.

Because of the higher levels of soybean meal use and the inclusion of additional fat in the feed ration, the French feed conversion ration may be lower by about 10 percent than the U.S. conversion ratio.

The most widely cited production cost for French chickens is equivalent to 42.7 U.S. cents per pound—about 8 cents for the chick, 29 cents for feed, and 6 cents return to the producer.

The feed cost of 29 cents implies a conversion ratio of 2 if the cost of poultry feed is equal to 14 cents per pound. The commercial feed conversion rate is estimated between 1.8 and 2.05. Actual ratios for the three Brittany broiler export producers are unavailable.

The average size of the bird processed by the French chicken export industry reportedly has increased from 800-900 grams 2 years ago to 1.1-1.3 kilograms. Some industry officials claim their feed conversion ratio remains essentially constant for any live weight between 1.3 and 2 kilograms. This implies that producing heavier birds has reduced the total cost per kilogram by spreading fixed costs (chick, slaughter, etc.) across a heavier bird.

Because the French broiler industry is relatively small and heavily dependent upon subsidies (EC export restitution payments), it is regarded by feed suppliers as a relatively high-risk industry.

Other areas of the French livestock sector—such as milk, pork, and eggs—

Grains Portion of Import Levy vs. Export Restitution Of Selected Poultry Products
(In dollars per 100 kg)

Item	Grain portion	Export restitution
Whole broilers	28.04	31.16
Broiler halves & quarters	30.87	28.32
Whole turkeys	26.91	22.66
Turkey halves & quarters	29.74	22.66

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are larger markets for feed, and their products are sold mostly within France or the EC and do not need restitution payments.

Restitution payments are highly vulnerable to political pressures, and therefore are subject to change. For example, the EC Commission in January reduced restitution payments for French exporters of poultry meat to third countries—a move that has generated an extended commercial dispute over sales between France and the Soviet Union.

The French broiler export industry believes it is generally at least as efficient as the U.S. broiler industry, except for the cost of chicken feed. Industry officials claim that subsidies (export restrictions) are needed only to compensate for Europe's higher feed costs.

These industry representatives say the EC Commission has failed to pay the full restitution amounts as calculated by official EC formulas, and that as a consequence, the industry has been compelled to bargain with the Commission.

Exports of whole birds account for 95 percent of France's frozen chicken exports—a situation that exporters attribute to the following factors:

- Exporters have no production capacity for chicken parts.
- The domestic market for parts is already well supplied by nonexporting firms.
- The lack of an established domestic market for some part or parts requires export of the entire carcass.
- Exporters contend that a successful export parts market depends on a high level of disposable income in the overseas market. Middle Eastern markets do not meet this standard, they say.
- EC export restitution for chicken parts is smaller than the grains portion of the poultry levy. Therefore, the subsidy does not compensate for the high cost of grains.

France's fresh and frozen chicken exports, in 1,000 metric tons, product-weight basis, for 1979 (1978 in parentheses) were as follows: Whole with head and feet, 3.9 (2.9); whole, without head or feet, with offal, 138.9 (102.7); whole, without offal, 11.3 (8.7); parts other than offal, 3.3 (2.4); halves and quarters, less than 50 tons, both years; wings, all poultry, 3 (2.6); backs & necks, all poultry, 0.9 (0.6).□

U.S. Is Now No. 2 World Producer of Sunflowerseed, Exports Are Rising

By Alfred R. Persi

The United States is expanding its production and exports of sunflowerseed, and in 1978/79 edged Argentina out of second place as a producer. Both countries, however, are still well behind long-time front running producer, the Soviet Union.

U.S. sunflowerseed output, which more than tripled from 499,000 metric tons to 1.8 million tons between 1976/77 and 1978/79, should climb to 3.5 million tons in 1979/80—more than enough to meet domestic needs for sunflowerseed oil and seed, and seed and oil exports.

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Because of lower prices to farmers and larger stocks anticipated at 900,000 tons this year, U.S. farmers are expected to cut plantings for the 1980/81 crop year by nearly 20 percent, with sunflowerseed production forecast at 2.7 million tons next year.

In 1978/79, U.S. sunflowerseed exports totaled 1.4 million tons and sunflowerseed oil exports 40,000 tons. Major markets in 1978/79 for the oil were Venezuela and Japan, and for the seed, Mexico and a number of European countries.

In 1977/78, seed exports amounted to 942,000 tons, oil exports to 34,000 tons.

Despite the steady rise in U.S. ex-

ports of sunflowerseed and sunflowerseed oil in recent years, strong market development promotions are necessary to boost exports further in existing markets and to locate new ones. In the spring of 1979 and winter of 1980, the Foreign Agricultural Service and the North Dakota Sunflower Council worked together to strengthen or find markets in Europe, Asia, and Latin America.

Last calendar year, Venezuela was the most important U.S. export market for sunflowerseed oil, accounting for 15,220 tons—half the U.S. export total. Because the Venezuelan Government wants to protect Venezuela's sesame and peanut producers, it favors vegetable oil imports over oilseeds. As a consequence, no U.S. sunflowerseed for crushing was shipped to that country in 1979.

Since Venezuelan oilseed production provides for only 25 percent of the country's vegetable oil requirements, it imports the balance of its needs as crude or semirefined oil.

Argentina is the most important competitor with the United States for the Venezuelan sunflowerseed oil market, having supplied four-fifths of Venezuela's total import requirements in 1979. With the elimination of Government controls on imports and extension of technical assistance on processing to crushers, Venezuela also could become a market for sunflowerseed. However, an outlet would have to be found for the sunflowerseed meal, which Venezuela does not import or use because of its high fiber content.

Venezuela is expected to continue to have a vegetable oil deficit and be a steady market for such oils. Thus, for the short term, Venezuela could become a stronger market for U.S. sunflowerseed oil, with a smaller chance of becoming an importer of U.S. sunflowerseed.

The United States exports sunflowerseed to Europe but practically no sunflowerseed oil.

Many Europeans prefer "sunoil" above other vegetable oils for table use and crushers like U.S. sunflowerseed for its high oil content. (The large number of Argentines of European extraction also seems to be a factor in the Argentine bent toward sunoil.)

Sunflowerseed exports to the Continent rose from 944,704 tons in 1978 to 1.2 million tons in 1979. Leading European importers for U.S. sunflowerseed in 1979 were the Netherlands, taking 413,462 tons; West Germany, 325,037 tons; Portugal, 148,368 tons; and Italy, 133,267 tons. As European sunflowerseed oil production climbs in the future, it will push upward exports to the Continent of U.S. sunflowerseed for crushing.

In Mexico, sunflowerseed complements safflowerseed as a source of vegetable oil. Safflower production ranges between 500,000 and 600,000 tons a year, while sunflowerseed output is only about 10,000-20,000 tons. Because the current Mexican vegetable oil shortage is expected to continue through the 1980's, and because Mexico has surplus crushing capacity, it is expected to import at least 300,000 tons of sunflowerseed annually in coming years. In the 1979 marketing year, Mexico imported 265,000 tons of sunflowerseed, all of U.S. origin.

Normally, Mexico is not a sunflowerseed oil importer since it wants to utilize fully its oilseed crushing capacity. Mexico imports sunflowerseed oil (such as the 1,360 tons imported from the United States im March 1980) only when sunflowerseed suplies are not readily avalible. Mexican sunflower meal is processed domestically, rather than imported.

The United States is Mexico's sole foreign supplier of sunflowerseed, shipping in the commodity by rail and—to a lesser extent—by ship. The biggest barrier to expansion of the Mexican market for U.S. sunflowerseed is transportation blockages. One possible way to alleviate these tieups is for Mexico to space its imports, making its purchases and taking delivery of sunflowerseed on a year-round basis. If U.S. exporters are willing to ship by sea from a west coast facility, Mexico's western sunflowerseed processing plants could be served more readily as well.

Japan imports neither sunflowerseed for crushing nor sunflowerseed meal for animal feed. However, it does import crude sunflowerseed oil for refining and blending with rapeseed and soybean oils. Last year, Japan imported nearly 5,000 tons of U.S. sunflowerseed oil. There is no premium price for sunflowerseed oil in Japan, which deters sales of pure sunflowerseed oil. Also, high transportation costs hinder sunflowerseed trade with Japan.

Because Japan has excess oilseed crushing capacity and a strong interest in diversifying oilseed supplies, there is a strong export potential in this market for U.S. sunflowerseed. With more favorable inland freight rates from the U.S. Midwest to the west coast, overall transportation costs to Japan could likely be reduced.

As sunflowerseed production in Montana and Washington State climbs, it is likely that the region can provide a steady supply of sunflowerseed for shipment to the west coast for export to Japan at lower freight costs than now available. Since the Japanese consumer is concerned about polyunsaturates in his diet, and sunflowerseed oil is low in such fats, there would appear to be a ready market in Japan for this vegetable oil. If sunflowerseed oil can be marketed in Japan at a premium price, Japanese oilseed processors will import sizable volumes of sunflowerseed without much hesitation.

However, there are other barriers besides price currently inhibiting sales of U.S. sunflowerseed to Japan. Outlets must be found for the meal remaining after sunflowerseed is crushed for oil. At present feed manufacturers are reluctant to use this meal in animal rations because it is black. But helping the situation could be Japan's shortage of roughages for use in livestock rations. Sunflowerseed meal is high in fiber and so it could win approval from cattle feed compounders because of this fact. The meal needs further processing for poultry.

For the near term, Japan appears to be a gradually growing market for U.S. sunflowerseed oil and an eventual outlet for sunflowerseed.

U.S. sunflowerseed output falls far behind the Soviet Union's—estimated in 1979/80 at 5.4 million tons—but U.S. growers foresee a time when the United States could outrank the USSR as a producer, as it has as an exporter of sunflowerseed. But to do so, U.S. production must continue to climb at the current rate and new export outlets found or existing ones strengthened.

Because of its dramatic growth in recent years, sunflowerseed has become important enough among U.S. oilseeds that futures contracts were offered on the Minneapolis Grain Ex-

change, beginning in May 1980. Trading is to be for 100,000-pound contracts with delivery at Duluth-Superior or Minneapolis-St. Paul elevators.

Over 90 percent of the U.S. sunflowerseed crop is grown in North Dakota, South Dakota, and Minnesota, where it is generally too cold to raise soy. North Dakota accounts for about 60 percent of the U.S. total. In the United States, sunflowerseed is crushed in conjunction with other oilseeds, but no one U.S. mill crushes sunflowerseed to the exclusion of all others. However, construction of the first sunflowerseed-only mill—with a daily capacity of 1,250 tons—was begun in the second half of 1979 at Riverside, N.D. by Cargill, Inc., and is to be operational in 1980.

Oilseed farmers and the oilseed and vegetable oil trade are concerned that the U.S. market will be unable to absorb anticipated sunflowerseed and sunflowerseed oil production increases. In recognition of this, the North Dakota Sunflower Council and FAS have conducted sunflowerseed market development activities overseas.

One such promotional event was the spring 1979 market survey trip to West Germany, France, Italy, Portugal, and Czechoslovakia. A more recent venture was a trip to Venezuela, Mexico, and Japan.

On the European trip, the team learned that the United States is the main supplier of sunflowerseed to all five countries, particularly since the Soviet Union has withdrawn from the export trade. The team members also learned that not only is sunflowerseed output limited or nonexistent in these countries, it is not expected to increase significantly in the near future, leaving open the possibility that U.S. exports to these countries may be expanded.

U.S. exporters believe they can boost their collective share of the European market if they could ship to the Continent year round. At present, exports are made from Great Lakes ports, but they are choked off when the St. Lawrence Waterway freezes. One solution being studied is to ship the seed by rail to gulf or east coast ports for shipment during the winter months, and directly from Great Lakes ports during the rest of the year.

Whether or not this is possible depends on the cost of shipping. □

CAP Faces Call for Reform As EC Agricultural Surpluses, Policy Debate Keep Growing

By Peter O. Kurz

Today, the European Community's Common Agricultural Policy (CAP) is under more stress than at any other time in its 18-year history as the call for reform begins to reverberate among the EC policy-making councils.

The CAP was designed as a social as well as an economic tool to support and promote farming interests within the Community. Somewhat a victim of its own success, the CAP is now burdened by mounting agricultural surpluses that require staggering amounts of price supports. The price tag for these supports is now approaching $15 billion a year.

In addition, as debate sharpens over a proposed 1980/81 budget cut, policy differences are widening in the face of the pending EC enlargement to include Greece, Spain, and Portugal over the next few years.

This year, as the EC's civil servants in Brussels labor through the annual price-fixing exercise for the 1980 and 1981 crop and marketing years, they are thinking more than ever about possible CAP reforms. Reform also will be on the minds of the EC Council of Agricultural Ministers—from the nine Member countries—who must reach final agreement on the price package after its consideration by the European Parliament and the Economic and Social Committee.

Various difficulties within the EC have intensified. First, farm surpluses are growing faster than the funds for meeting expenditures. These surpluses are especially acute in the dairy, sugar, wine, and edible oils sectors, where self-sufficiency rates are either approaching or have already exceeded 100 percent.

Since 1974, average annual price support expenditures have risen dramatically—46 percent in 1975, 24 percent the following year, 22 percent the next year, and 27 percent in 1978. Total expenditures this year are estimated at $14.4 billion, 16 percent above 1979's level. Given these trends, new financing would have to be authorized to meet projected expenditures by 1981 at the latest.

Second, there is increasing dissension in the EC over the current financing and operation of CAP, with various Member States arguing about perceived costs and benefits to themselves and each other.

Third, EC enlargement to include Greece in 1981 and Spain and Portugal (most likely in 1983) could sharpen regional and national debates over priorities within the CAP. Moreover, enlargement will strain the budget even further since the three Members-to-be possess relatively underdeveloped agricultural sectors and will benefit from CAP participation.

Surpluses. The EC dairy sector has received the most publicity for its surplus problem. The Community currently produces a surplus of between 16 and 18 million metric tons of raw milk a year. Disposing of this surplus alls heavily to the cost of the dairy program, which in 1980 is estimated to account for 42 percent of the Community's agricultural budget.

Down the road, the problem will be larger. The EC Commission has reported that by 1990 milk yields could reach 6,500 kilograms per cow—leading to a projected surplus of 50 million tons. At current costs, disposal would run $16.94 billion. Presently, each 1-percent increase in milk deliveries carries a disposal cost equal to 80 percent of its value.

The Commission's latest proposals to deal with the dairy surplus would require dairies to pay an extra tax—called a "super levy"—on milk processed in excess of 1979 levels. It would apply only to dairies whose production of milk, butter, or cheese (on a milk-equivalent basis) exceeded

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99 percent of the milk purchased from them in 1979.

The "super levy" would be in addition to the co-responsibility levy that was introduced in April 1977. This levy is a form of tax on milk deliveries and is calculated as a percent of the milk target price—that is, the price it is felt the producer ought to receive.

Sugar is another problem area as total EC production outstrips demand by 2.6 million tons. The CAP as it applies to sugar includes a levy system as well as production quotas. Levy receipts are used to dispose of surplus production. But, clearly, the system is not functioning in response to current needs.

The Commission has proposed a new 5-year regime, to start in July, aimed at reducing the amount of sugar eligible for price support under the quota system by about 1.3 million tons from 11.6 million tons. This would be a 5- to 7-percent cut in EC sugar production. Opposition can be expected from sugar-producing Member States, such as France and Ireland.

In the grains sector, export subsidy expenditures for surpluses are presently offset by variable import levy receipts. However, this could change if escalation of support prices prompts the livestock industry to look elsewhere for alternative feed sources. In addition, yields for cereals are increasing. Between 1980 and 1985, an increase of 20 percent in wheat yields is a reasonable expectation.

CAP Financing. At the same time that surpluses are growing, there are differences among Member States over how to finance them as well as a sharp debate over the operations of the CAP in general. EC Budget Commissioner Christopher Tugendhat has pointed out that the CAP itself is not responsible for the looming budgetary shortfall. "If run on a basis of reasonable balance between production and consumption and taking into account the vagaries of production from year to year, much of the expenditure would be unnecessary," he stated.

Last December, the European Parliament, which was popularly elected for the first time in June 1979, rejected the EC budgeet for 1980/81, indicating its dissatisfaction with the state of CAP expenditures. More recently, however, the Parliament's own Agriculture Committee has called for price increases higher than those originally proposed by the Commission. Thus, the Commission's attempts at reform must proceed in this ambiguous climate.

Meanwhile, this year the EC Finance Ministers, providing expertise that the Commission should find useful, are assisting their agricultural counterparts in determining an appropriate level for 1980/81 farm prices.

The budget, which was submitted by the Council of Ministers and rejected by the Parliament, has been pared down by more than 9 percent or by $1.44 billion. Changes in the dairy, sugar, livestock, grains, and processed fruits and vegetable sectors account for $725 million of the proposed savings. Removal of consumer subsidies on butter would save an additional $500 million.

There is particular disenchantment with the pattern of CAP financing in the United Kingdom. Peter Walker, U.K. Minister of Agriculture, Fisheries, and Food, recently pointed out that the United Kingdom is contributing 20 percent of the total EC budget,[1] but because the CAP takes 75 percent of the budget, "We get far less back—probably not much more than 5 or 6 percent—and the result is a huge overflow of funds from this country to other Member States."

Walker also noted that EC Member States benefiting the most (the Netherlands and Denmark, for example) are wealthier than the United Kingdom, on a per capita income basis. In addition, the United Kingdom has to buy most of its foodstuffs from other EC Members at artifically higher prices, he said.

Attempts at increasing CAP revenues through a hike in the Member States' contributions over the current 1-percent now collected could face political difficulties. The national parliaments of each Member State would have to agree to such an increase. While EC agriculture ministers could be sympathetic, heads of state in the various countries might not be. Finance ministers also could not be expected to be enthusiastic.

Enlargement. Growth of the EC from 9 to 12 Members will change the entire complex of EC agriculture, shifting the focus more toward the fruits, vegetables, wines, tobacco, and vegetable oils of the southern rim and away from the grains, dairy, and livestock products of the northern countries. Community rates of self-supply will change as well as composition of the labor force.

Spanish accession alone will have the effect of increasing the Community's agricultural area by 30 percent, the farm labor force by 31 percent, and the number of holdings by 31 percent. Community self-supply rates will change dramatically in the case of olive oil, where the rate will rise from 103 to 123 percent. Likewise, the citrus rate will go from 50 to 83 percent.

Compared with the EC as a whole, the three applicant countries have large agricultural populations and low farm productivity. Imbalances in per capita incomes are marked. CAP resources will have to be transferred from North to South in a manner that redresses regional imbalances rather than aggravates them.

Enlargement will generate conflicting pressures. On one hand, the Community will have to increase budget outlays for new commodity programs, such as cotton and raisins, and apply existing programs to the new Members. In addition, Italian and French agricultural interests are likely to be hard-pressed by competition from the newcomers—especially in the fruit and vegetable sectors—and will push for increased expenditures on their own behalf.

On the other hand, awareness of increasing costs will generate countermoves to hold down "Mediterranean" expenditures. EC politicians and farm interest groups worried about surplus problems will attempt to minimize production incentives in EC policies as they apply to new Members.

Evolution of the CAP in the face of pressure, criticisms, and changing times appears to be inevitable. Most likely, the proposed budget cut for 1980/81—if adopted—represents only a first step toward keeping the CAP in line with what citizens of EC Member States—through their elected representatives in the European Parliament—will demand.

Regardless of the level of expenditures, however, the EC's CAP will remain a mechanism for social policy as well as an instrument of economic policy—and as such will carry a hefty price tag. □

[1] Member State contributions to the EC budget are set a 1 percent of each State's value-added tax (VAT) receipts.

USSR Strives To Maintain Livestock Numbers Despite Tight Feed Supplies

By Hilton P. Settle and James D. Gruff

From top: Red Steppe dairy cows in open lot for the summer. Interior of a large poultry complex in the Soviet Union. Production of poultry—and of broilers in particular—so far has outperformed other sectors of the Soviet livestock industry, despite stress on expanding pork and beef output also.

The USSR's long-standing goal of boosting domestic meat consumption may be sidetracked for some time as a result of the tight feed situation caused by poor Soviet grain and forage crops in 1979 and aggravated by the January 4, 1980, suspension of U.S. agricultural exports to the USSR.

Increases in livestock inventories on State and collective farms during the first 4 months of 1980 were below year-earlier rates, while meat production rose in step with the faster slaughter rate.

All-important now are the size of the 1980 grain crop, estimated by USDA on May 9 at 190-230 million metric tons, and the extent to which grain reserves were drawn down during 1979/80.

The country is just now recovering from meat production setbacks that followed the disastrous grain shortfall of 1975 and apparently wants to avoid another such debacle. Brezhnev himself launched the Soviet drive to expand meat production, making it a keystone of 5-year plans of the 1970's that focused on boosting supplies of consumer goods and products.

So far, the USSR has not achieved ambitious meat-production targets of those plans, in large part because of widely fluctuating domestic production of grain and lagging livestock-feeding technology. But it appears willing to pay the price—in terms of heavy grain and protein-concentrate imports—to achieve these goals.

The similarities between this year's situation and that of 1975 are striking in some ways, but diverge in terms of Soviet ability to cope.

In 1975, the USSR's livestock expansion program was threatened by a precipitous decline in grain production, which fell to 140.1 million metric tons—the lowest level since 1965—from 195.7 million the previous year. Following that disappointing harvest, the USSR imported 25.7 million tons of wheat and coarse grains in July 1975/-June 1976. Grain feeding in 1975/76 fell almost 17 percent below the year-earlier level to around 89 million tons.

The Soviets not only had less grain to feed, but they also had more livestock than ever before: Livestock

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USSR Hog and Poultry Numbers, Grain Production, Imports and Feed Utilization, 1972-80

Year	January 1 livestock numbers		Grain[1]		
	Hog	Poultry	Production	Imports[2]	Utilized as feed[3]
	Million head	*Million head*	*Million metric tons*	*Million metric tons*	*Million metric tons*
1972	71.4	686.5	168.2	22.8	98
1973	66.6	700.0	222.5	11.3	105
1974	70.0	747.7	195.7	5.7	107
1975	72.3	792.4	140.1	26.1	89
1976	57.9	734.4	223.8	11.0	112
1977	63.1	796.0	195.6	19.1	122
1978	70.5	882.3	237.2	[5]15.6	[5]125
1979	73.5	953.2	179.0	[4]30.5	[4]126
1980	73.7	[5]1,000.0	([6])	([6])	([6])

[1] Total grain production, imports and feed utilization include pulses, paddy rice, buckwheat and miscellaneous grains in addition to wheat and coarse grains. [2] On a July/June basis. [3] Preliminary [4] Forecast. [5] Estimate [6] Not available. Source: *Narodnoye Khozyaystvo* and other publications.

Selected USSR Livestock and Poultry Numbers on State and Collective Farms, as of the First of Each Month, 1973-80

[In million head]

Item	1973	1974	1975	1976	1977	1978	1979	1980
Cattle:								
January	75.5	78.3	80.9	83.8	83.4	86.6	88.0	89.0
February	76.1	78.5	81.0	82.9	85.0	86.8	88.2	88.9
March	77.1	79.9	82.2	83.7	86.0	88.1	89.2	89.6
April	78.6	81.2	83.9	85.3	87.6	89.9	91.1	91.6
May	80.9	83.3	86.0	87.1	89.7	91.7	93.0	93.4
June	81.7	84.4	87.0	87.8	90.6	92.5	93.7	—
July	81.3	84.0	86.5	87.7	90.2	91.8	92.9	—
August	81.4	84.1	86.6	87.6	89.8	91.6	92.3	—
September	80.7	83.5	85.8	86.7	88.9	90.8	91.4	—
October	79.0	81.8	84.6	85.0	87.1	89.2	90.1	—
November	78.3	81.1	83.9	84.2	86.3	88.6	89.3	—
December	78.0	80.8	83.4	83.5	86.2	88.2	88.9	—
Hogs:								
January	48.7	51.6	53.6	41.9	47.3	52.4	54.9	55.2
February	47.7	51.6	53.5	41.2	48.6	53.0	55.0	54.9
March	47.6	52.0	53.2	41.2	49.1	53.6	55.1	54.3
April	47.3	51.1	52.3	41.8	49.1	53.7	54.9	54.4
May	49.2	52.7	53.6	43.8	50.2	54.6	55.6	55.0
June	50.7	54.1	55.2	45.6	51.4	55.9	56.6	—
July	51.8	54.5	55.6	46.5	52.8	56.5	57.0	—
August	53.7	56.7	56.8	48.3	54.7	58.3	58.2	—
September	54.7	57.4	54.3	49.2	55.5	59.0	58.5	—
October	54.2	56.5	49.6	49.3	54.9	58.4	58.5	—
November	53.4	55.9	46.4	48.8	54.2	57.7	57.5	—
December	52.1	54.6	43.9	47.7	53.4	56.5	56.0	—
Poultry:								
January	([1])	362.9	401.8	369.6	437.7	497.5	549.7	592.0
February	326.6	368.7	404.9	368.6	442.9	496.5	543.9	586.0
March	364.1	410.1	444.3	395.9	470.1	528.8	568.1	606.0
April	423.2	469.6	498.8	433.4	513.2	575.2	617.5	642.8
May	478.5	521.6	547.4	476.3	564.6	625.9	671.5	688.0
June	514.0	554.5	577.2	504.0	598.0	650.1	695.7	—
July	521.6	557.1	573.3	506.1	597.0	644.4	685.2	—
August	496.8	534.6	547.3	500.9	594.9	644.3	685.5	—
September	456.5	495.8	483.5	481.6	572.5	623.3	666.6	—
October	411.2	454.0	418.8	459.3	540.5	595.1	635.3	—
November	378.8	420.5	376.2	444.4	518.5	573.1	616.1	—
December	363.8	403.7	361.8	434.9	503.9	555.0	593.4	—

[1] Not available

Source: USSR Ministry of Agriculture, US-USSR Secretariat under Exchange of Economic Information Agreement and various Soviet publications.

numbers on State and collective farms as of June 1975 were at record levels—87 million cattle, 55.2 million hogs, 151.7 million sheep and goats, and 577.2 million poultry. These factors, together, forced the country in August 1975 to begin distress slaughtering of livestock, which in a brief span of 5 months reduced poultry and pork numbers by almost 32 and 26 percent, respectively.

The country's 1979 grain crop likewise fell sharply, to 179 million tons from the record 1978 production of 237 million, again necessitating large imports.

It now appears that the Soviets were intending to import about 37.5 million tons of grain during July-June 1979/80—2.5 times the 1978/79 total. This, of course, was before the suspension of U.S. grain sales to the USSR following that country's invasion of Afghanistan. The suspension removed from the export pipeline some 13 million tons of U.S. corn, 4 million tons of wheat, and about 1.3 million tons of soybeans and soybean meal, as well as some poultry meat.

U.S. grain exports to the USSR during October-September 1979/80 thus have been held to the 8-million-ton level originally agreed to under the U.S.-USSR Grains Agreement, compared with 25 million tons forecast prior to the suspension.

Although the USSR since has made up part of that loss through purchases from other suppliers, it will not be able to import the quantities originally planned. Currently, imports in July-June are estimated at about 30.5 million tons.

To compensate, the Soviets may be staging one of their largest stock drawdowns in order to boost use of grain for feed during July-June 1979/80 to an estimated 126 million tons. This is considerably above the 89 million tons of 1975/76 and also a million more than the amount estimated to have been utilized in 1978/79.

It also reflects Soviet determination to prevent a repeat of the livestock production setback after the 1975 crop failure.

Although distress slaughtering that year increased the meat supply temporarily, it severely thwarted long-term production. Moreover, lower than normal slaughter weights held meat production (including fat and offal) in 1975 to 14,968,000 tons, or only

marginally more than the 14,620,000 tons produced in 1974. This was followed in 1976 by a 9.3 percent decline to 13,583,000 tons.

Not until 1978 did meat production finally rebound to the 1975 level.

The country also was forced to turn to the world market for unprecedented levels of meat imports, which reached a record 616,900 tons (including poultry) in 1977.

USSR meat production in 1979 was 15.5 million tons, significantly below the Soviet goal of 16.6 million tons and the same amount as produced in 1978. Meat imports probably totaled about 375,000 tons last year.

Needless to say, total meat production in 1980 is difficult to assess at this time. Pork production will probably drop as a result of herd reductions and lighter slaughter weights. Production of beef and mutton may hold steady at 1979 levels, but this depends largely on slaughter weights. Poultry meat output, on the other hand, should be slightly above the 1979 level.

Thus, total meat production in 1980 will probably decrease to around 15.4 million tons—short even of the Government's downwardly revised goal of 15.7 million.

Based on this production level, USSR meat imports in 1980 might be expected to reach 535,000 tons. However, imports could well exceed this level if production falters, especially since the Soviets will want to have ample supplies of meat available for the 1980 Summer Olympics.

The best indicators of changes in Soviet livestock and poultry numbers on a month-by-month basis are the animal inventories on collective and State farms, which account for about three-fourths of total inventories. From January 1 to May 1, 1980, inventories of cattle, poultry, and sheep and goats on collective and State farms rose, but at slower average rates than occurred during the previous 3 years.

This year, May 1 hog numbers were lower than those on January 1 for the first time in at least 8 years. Figures for January and February 1980 indicated that the Soviets may have decided to draw down hog inventories in reaction to tight feed supplies. During March and April, however, hog numbers actually showed a small increase.

Overall meat production (live weight) on Soviet collective and State farms during the first 4 months of 1980 was 3 percent above that in the same period of 1979. Output of beef rose 3 percent and that of pork declined 1 percent from levels for the first 4 months of 1979. January-April production of meat from poultry and from sheep and goats on the collective and State farms was up 15 percent from the year-earlier level.

Average slaughter weights in the USSR, meanwhile, have declined throughout 1979 and during the first 4 months of 1980. The average slaughter weight of cattle in January-April was only 364 kilograms, compared with 372 in the same period of the previous year. Hog slaughter weights averaged 99 kilograms in the first 4 months of 1980, compared with 103 in the 1979 period.

Progress toward boosting Soviet meat consumption also has been disappointing to the Soviets. Their goal is to achieve a per capita meat consumption of 82 kilograms (180.8 pounds). The modest gains so far in meat production, however, have been more than absorbed by population growth: after reaching a high of 57 kilograms in 1975, per capita meat consumption has stagnated at 56-57 kilograms.

The combination of poor quality grain and less than adequate roughage supplies also caused milk production and per-cow productivity to decline in 1979. Milk production that year was 93.3 million tons—down 1.5 percent from 1978's.

Soviet butter production in 1979 is estimated to have decreased 1.5 percent (22,000 tons) from the 1978 level to 1.45 million tons. This decline was more than made up by purchases of subsidized butter from the European Community, reportedly at a level of 141,000 tons.

Poultry meat and egg production continue to be the premier growth areas of the USSR animal sector. Poultry meat production increased by 5.2 percent in 1979, while egg production rose 1.7 percent from 1978's to 65.6 billion pieces. □

USSR: Total Livestock and Poultry Numbers, January 1, 1972-80

[In million head]

Year	Cattle		Hogs		Sheep	Goats	Horses	Poultry
	Total	Cows	Total	Sows				
1972	102.4	40.0	71.4	40.0	139.9	5.4	7.3	686.5
1973	104.0	40.8	66.6	3.95	139.1	5.6	7.1	700.0
1974	106.3	41.4	70.0	4.03	142.6	5.9	6.8	747.7
1975	109.1	41.9	72.3	4.02	145.3	5.9	6.8	792.4
1976	111.0	41.9	57.9	3.71	141.4	5.7	6.4	734.4
1977	110.3	42.0	63.1	3.76	139.8	5.5	6.0	796.0
1978	112.7	42.6	70.5	4.04	141.0	5.6	5.8	882.3
1979	114.1	43.0	73.5	4.17	142.6	5.5	5.7	953.2
1980	115.0	43.3	73.7	[1]4.10	[1]143.7	[1]5.5	[1]5.5	[1]1,000.0

[1] Estimate.
Source: *Narodnoye Khozyaystvo* and other references.

USSR Meat Production by Major Type and Imports of Meat, 1972-80

Year	Production[1]						Imports
	Beef & veal	Pork	Mutton, lamb & goat	Other	Poultry	Total	
1972	5,722	5,445	923	306	1,237	13,633	131
1973	5,873	5,081	954	324	1,295	13,527	128
1974	6,384	5,515	974	327	1,420	14,620	515
1975	6,409	5,651	1,014	355	1,539	14,968	515
1976	6,615	4,343	885	329	1,411	13,583	361
1977	6,888	4,950	894	299	1,691	14,722	617
1978	7,086	5,302	921	290	1,902	15,501	184
1979	7,000	5,300	900	300	2,000	15,500	[2]375
1980[3]	7,000	5,100	900	300	2,100	15,400	535

[1] Slaughter weight including fat and offal. [2] Estimate. [3] Forecast.
Source: *Narodnoye Khozyaystvo* and other publications.

Indonesia: A New Growth Market in the Making?

Will Indonesia become another miracle growth market? A Japan or Korea?

This possibility seems remote today. Yet Indonesia's wealth of natural resources and large population invite speculation about the future of this growing farm market.

Indonesia is, after all, the world's fifth most populous country and rich in timber, mineral, land, and energy resources. Export earnings from petroleum and natural gas alone hit $7.7 billion in calendar 1979. Agricultural exports (including rubber) totaled $2.1-$2.25 billion. Of these, $725 million of complementary tropical products moved to the United States. In contrast, agricultural imports from all origins were about $1.3 billion.

These strong showings helped put Indonesia's balance of payments in the black by some $1.7 billion last year, with prospects for another good performance and sharp increases in foreign exchange earnings during 1980.

Industrial growth in Indonesia has been spotty, but much potential exists, as witnessed by recent sharp gains in textiles, fertilizer, and other sectors. Further growth in petroleum revenues, at least for the next few years, should also provide substantial funds for Indonesia's development.

Offsetting these natural advantages are omnipresent roadblocks to economic growth. As a result, Indonesia remains a desperately poor country with an average per capita income of about $360 per year.

Poverty is probably the nation's most serious problem, both in terms of personal income and investment capital. And the problem is perpetuated by overpopulation, despite success in slowing the yearly population growth rate to a little less than 2 percent and ongoing transmigration programs to relocate people. Already, the population is close to 140 million, and heading toward 200 million by the year 2000, unless crude birth rates are lowered further.

Production Results Mixed

Indonesia can be expected to make headway during the next few years in expanding farm production—and indeed already has made progress in certain food and export crops. It can capitalize on a tropical location and resulting ability to double, and possibly triple, crop, while support programs now being introduced for the secondary food crops should spark some production gains.

Rice output, responding to increased production incentives, has risen by about 3.5 percent annually during the past 5 years. However, this has not been sufficient to keep abreast of domestic demand, and Indonesia continues to rank as the world's largest rice importer. These imports will remain large at least through the mid-1980's.

Indonesia also has been moving forward in the production of so-called plantation crops destined largely for export. Three such products—coffee, rubber, and palm oil—recently accounted for more than three-fourths of Indonesia's agricultural export earnings. There is tremendous long-term capacity for increased production of these and other products such as spices, copra, cassava, and tea.

Yet providing an adequate diet or establishing an export base in some commodities may be difficult. Aside from the established exports, trade potential is diminished by a lack of the requisite marketing infrastructure—including drying capacity, transportation, and storage space.

In the livestock and dairy-product area, output can be expected to gain in importance as incomes rise, which in turn would bolster demand for feedstuff imports. The change may be a long time in coming, however, given the stagnant-to-declining state of Indonesia's livestock industry.

Equally serious, inflation has cut into demand for livestock products in general, and with increased corn and vegetable protein costs, broiler and egg profit margins recently have declined. The status of this sector will not improve greatly until grain prices decline or inflation rates subside.

Moreover, economic problems have prevented the Indonesian Government from undertaking major programs to expand livestock production at a time when cereals are still in short supply. Even usual priority areas such as dairy, poultry, and dual-purpose cattle industries have received little in the way of funds, and appear unlikely to gain the needed support during the third

Drying and sorting coffee berries in Indonesia. Next to rubber, coffee is Indonesia's leading agricultural export, earning over $500 million in 1979.

economic development plan that began this year.

Reflecting these negative factors, red meat output in 1979 is estimated to have declined 8 percent from the 1978 level to 440,000 metric tons. Poultry and dairy product output probably registered significant gains, but from very low bases, and for poultry and eggs, growth was believed to be below rates of the recent past.

As long as these problems exist, manufacturing of industrial feeds will remain small. No official figures are available, but feed production probably totals no more than 300,000 tons, of it 90-95 percent poultry feed.

U.S. Trade Prospects

U.S. agricultural exports to Indonesia reached a record $317 million in 1978—31 percent above the 1977 level—and went on to set a new record of $322.4 million in 1979. Five basic commodity groups accounted for more than 90 percent of the 1979 exports. They included wheat, with 30 percent; rice, 27 percent; cotton, 25 percent; and soybeans and meal, 10 percent. The United States ships between 200 and 300 other products, many of which have been on the increase, but their combined value in 1979 was only about $21 million.

For the near term, trade prospects look especially good for wheat and cotton. Consumption of flour, pushed by the Government as a rice substitute, has been growing at around 8-10 percent per year. Consumer acceptance is high, and Indonesia probably will continue to promote wheat because of its nutritional advantages and good world supply position vis-a-vis rice. With wheat availability thus more assured and prices also probably more stable than for rice, import growth is likely to continue at recent past rates. Such imports totaled an estimated 1.2 million tons in 1979 and are expected to rise to 1.35 million in 1980.

Imports of U.S. wheat in 1979 are estimated at 522,518 tons, a little over half of which was sold commercially and the remainder under Title I of the U.S. Public Law 480 program. U.S. wheat shipments amounted to 43 percent of the total import, compared with 48 and 43 percent, respectively, in the 2 preceding years.

Most of the remaining wheat imports come from Australia, which is seen boosting its share somewhat in 1980. Lower transportation charges from Australia vis-a-vis the United States are the major reason for this prospective gain.

Rice imports likewise have been following an upward trend, but without any evident benefit to U.S. trade. U.S. rice is not normally competitive price-wise with Asian rice, again largely due to transportation cost disadvantages. Total rice imports in 1979, for instance, reached 1.95 million tons, compared with 1.84 million the previous year, while takings from the United States fell to 302,000 tons from 391,000. These trends are expected to continue into 1980, with total rice imports projected at 2.75 million tons worth $1 billion, and another decline in takings from the United States.

One of the most promising growth areas from the U.S. point of view is cotton, with U.S. sales to Indonesia benefiting from the rapid growth in that country's textile industry. Demand did dip in 1979, with Indonesia's total cotton imports holding at the 1978 level of 417,000 bales (480 lb net) in contrast to an annual growth rate during 1976/77 of 30 percent. If imports reach the 500,000 bales projected for 1980, they will have almost doubled the 1974 level of only 261,000.

Normally, 60-70 percent of these imports come from the United States. During calendar 1979, the United States shipped 52,435 tons (240,828 bales) of cotton worth $81 million to Indonesia, compared with 54,900 tons worth $74.9 million in 1978.

The major competitor in this market is the USSR, which supplied slightly less last year than in 1978.

Further expansion is seen for raw cotton consumption in the next few years. Indonesian exports of textiles and garments have been small, but did rise sharply last year to around $100 million from only $19 million in 1978. Government incentive programs launched in the recent past to encourage such exports apparently are beginning to show good results. Moreover, the Government extends tariff protection to this young industry and is expected to continue to do so in the near future.

Growth in U.S. sales of soybeans, soybean meal, corn, and other feed ingredients probably will not be substantial in the near future.

Soybeans are currently being imported for food purposes, and domestic crushing facilities are nonexistent. Last year, the United States shipped 105,762 tons of soybeans worth $27.9 million to Indonesia, for a 1 percent dip in volume and 2 percent gain in value from the previous year's level. Soybean meal exports, on the other hand, rose 19 percent in volume and 6 percent in value to 17,774 tons worth $4.4 million.

Demand for other feedstuffs continues low, with no large upturn considered probable in the near term. A further consideration is the support program being introduced for grains and the consequent possibility of growth in domestic output.

Despite this mixed picture, U.S. agricultural sales to Indonesia could again inch upward in 1980, provided U.S. products remain competitive.

Whether at some point this steady, but modest, trade growth will accelerate into a higher gear—as already has happened in other markets of the Far East—is still difficult to say. Indonesia will, however, continue to require increased imports of numerous agricultural products.

Trade restrictions now limit entry of many food products. Should these trade barriers be removed or lessened, the United States could achieve substantial gains in commodities in which it is competitive and/or has a quality advantage. These might include fresh fruits, specialty products, frozen and canned juices, and feed ingredients. Much will depend on how fast Indonesia implements its ambitious programs to develop the economy and boost per capita income. □

U.S. Agricultural Exports to Indonesia, Calendar 1978-79

[In million dollars]

Commodity	1978	1979
Rice	116.9	88.5
Cotton	74.9	81.2
Wheat	71.2	96.9
Soybeans	27.2	27.9
Bulgar	7.2	7.3
Soybean cake and meal	3.8	4.4
Tobacco	2.0	1.6
Grapes, fresh	1.4	.7
Apples, fresh	1.4	1.1
All others	11.0	12.8
Total	317.0	322.4

Source: U.S. Bureau of the Census.

More Price Rises Than Declines in 15 Capitals

Increases outnumbered decreases in a survey of retail food prices in 15 world capitals during March/April, reversing a short-run trend that prevailed during January/February in these cities.

Prices for about half of 21 commonly purchased food items rose during the 2-month period, about a sixth of the prices remained constant, and the rest declined. In January/February, about 55 percent of the items surveyed showed decreases.

Price declines for beef and pork outnumbered increases in the 15 capitals. In Bonn, U.S.-type sliced bacon was generally available for the first time.

Brazil estimates a surplus of 40,000 tons of pork this year, which is dampening upward price pressures.

Beef cattle prices in Australian stockyards began falling in February and the decline continued into March. Retail beef prices, however, remained sticky and did not follow the trend.

Most meat prices in London were lower at the end of the 2-month period. In Madrid, poultry continued to enter the market in quantities sufficient to depress retail prices.

Shoppers in Mexico City paid less for sirloin, pork chops, pork roast, bacon, and broilers, owing to larger supplies of beef, seasonal factors for broilers, and some sales promotions for pork.

In Ottawa, prices for most beef items held steady during the period. Except for bacon, prices for pork items advanced slightly, despite depressed hog prices.

Rome's beef and pork prices were stable, following earlier sharp increases, reflecting large supplies of imported and domestic meats. Pork prices are expected to remain at their present levels because of traditional lower demand during the summer months.

In Tokyo, depreciation of the yen resulted in higher prices for imported meat items.

Shoppers in Bern were offered a relatively new meat product—frozen venison schnitzel, prepared in red wine, at the equivalent price of $15.99 per kilogram.

In Brasilia, the Government is promoting the expanded use of edible soy protein in the production of milk and bread. The purpose of the promotion is to increase utilization of Brazil's record soybean crop and use more soybean in the food industry to offer relatively low-priced food products with high nutrient content.

Milling and baking tests are being conducted in Brazil to evaluate a flour mixture that includes 5 percent soybean flour and 10 percent corn flour. Another possibility is the addition of 25 percent soy milk to natural milk with low fat content.

Some food chains operating in the Washington, D.C., area in early May ended the voluntary price

FAS SURVEY OF RETAIL FOOD PRICES IN SELECTED WORLD CAPITALS,[1] MA

[In U.S. dollars per kg[2], or units as indicated, converted at current exchange rates]

City	Steak, sirloin, boneless	Roast, chuck, boneless	Pork chops	Roast, pork, boneless	Bacon, sliced, pkgd.	Broilers, whole	Eggs, dozen	Butter	Margarine	Cheese, cheddar	Milk, whole, liter	Oil, cooking, liter	Tomatoes	Onions, yellow	Potatoes	Apple
Bern	18.71	8.75	8.45	12.98	6.34	3.14	2.29	8.60	3.14	8.51	0.81	2.23	2.35	1.21	0.59	1.2
Bonn	11.06	8.02	5.24	6.35	10.71	2.82	1.55	5.04	1.77	5.75	.51	1.81	2.47	1.31	.43	1.3
Brasilia	2.71	2.50	3.49	5.08	4.69	1.22	.73	3.32	1.18	3.69	.25	.82	.77	.68	.48	1.9
Brussels	13.20	7.31	5.72	6.06	5.75	3.36	1.63	5.20	2.49	7.34	.64	1.73	3.22	.80	.28	1.1
Buenos Aires	6.16	5.60	5.60	7.84	8.40	3.36	1.96	6.72	5.49	10.64	1.23	3.53	3.14	1.29	.59	1.5
Canberra	8.96	5.33	6.13	4.93	8.57	2.55	1.46	2.47	2.20	2.74	.50	1.94	1.65	.63	.54	1.3
London	11.66	6.04	5.22	4.25	7.85	2.36	1.73	4.01	2.26	4.72	.66	1.94	3.02	1.06	.40	1.7
Madrid	8.53	6.42	4.50	7.17	8.66	1.60	1.21	7.87	4.09	8.19	.53	1.53	.85	.45	.42	.8
Mexico City	4.08	4.04	3.66	4.58	3.99	2.35	.72	4.53	2.20	8.74	.38	1.31	.83	.28	.39	1.6
Ottawa	6.98	4.53	3.76	3.15	2.87	1.95	.93	3.09	2.50	5.12	.58	1.83	2.15	.56	.25	1.6
Paris	10.37	10.61	5.94	6.82	18.81	3.82	2.07	5.22	2.74	6.82	.59	1.76	2.27	1.41	.28	1.1
Rome	11.26	10.07	6.52	7.11	5.92	3.08	1.60	5.36	2.19	6.01	.59	1.11	1.78	.71	.41	.9
Stockholm	16.16	7.04	19.68	14.00	9.08	4.68	2.29	5.85	3.13	5.92	.57	5.28	4.88	1.67	.66	1.9
Tokyo	34.48	24.39	7.30	7.83	8.55	3.56	1.22	6.10	2.61	5.17	.86	2.03	2.00	.86	1.44	2.5
Wash. D.C.	6.81	4.72	3.73	4.39	2.62	.93	.72	4.56	2.36	4.34	.63	2.48	1.74	.55	.55	1.3
Median	10.37	6.42	5.72	6.35	7.85	2.82	1.55	5.04	2.49	5.75	.59	1.83	2.15	.80	.43	1.3

[1]Reports from Copenhagen and The Hague, usually included in this series, were unavailable at press time. [2]1kilogram=2.2046 pounds; 1 liter=1.0567 quart.

holddowns announced in March, citing higher prices posted by their suppliers and increases in operating costs. □

Food prices of selected commodities are obtained by U.S. agricultural counselors and attaches on the first Tuesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.

The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.

MAY 6, 1980

Apples	Oranges	Bread, white, pkgd.	Rice	Sugar	Coffee, ground roasted
1.21	1.45	2.05	1.15	0.75	8.69
1.30	1.36	.81	1.25	.99	11.56
1.94	.30	.82	.28	.28	2.49
1.18	.94	1.18	1.21	1.14	8.97
1.57	1.57	1.79	2.02	1.34	10.08
1.35	.74	1.12	.84	.54	22.13
1.76	1.23	1.06	1.30	.80	11.27
.87	.92	.95	1.25	.68	7.37
1.67	.17	.72	.67	.35	4.49
1.60	.93	.62	1.83	.90	7.76
1.14	1.07	2.46	1.60	.85	8.94
.95	1.42	1.90	1.12	.93	9.01
1.99	1.22	2.35	1.85	1.08	8.85
2.53	2.39	1.55	1.41	1.11	13.99
1.30	.60	.73	.82	1.01	6.15
1.35	1.07	1.12	1.25	.90	8.94

Zimbabwe Reclaiming Farm Trade Position

Continued from page 9

1965, exports fell to less than half that level in 1966 and 1967, but began to inch back upward. They are estimated at 120,000 tons in 1979.

Cattle production's share of the gross value of agricultural output has risen from 12 percent in 1965 to the current level of about 20 percent, while total cattle numbers have jumped from an average of 3.6 million head in 1961-65 to about 6.5 million.

This is an area of particular importance to African farmers, whose herds swelled from about 1.5 million head in 1966 to about 3.5 million in 1979. So far, however, only a small percentage of the African production has been marketed commercially.

The commercially owned national beef herd peaked at 3.5 million head in 1976 but has since fallen by about 500,000. As with the crops, growth was rapid immediately after UDI, when large tobacco farmers who previously had raised cattle under a crop rotation system found this to be an attractive alternative to tobacco.

Theft, disease, and the adversities of civil war have since contributed to the commercial herd's decline, which is seen continuing through 1980. The *Financial Times Of London* reports that beef slaughterings will drop from a peak level of some 650,000 in 1978 to about 500,000 this year. It is expected to take a minimum of 3 years to rehabilitate the industry and bring exports up to their potential.

Among other products of newfound importance are soybeans, practically unknown commercially prior to UDI but now playing an increasing role in human and animal nutrition. Sunflowers, another source of vegetable oil, represents one of the oldest domestic crops, but one that has gained importance only recently.

Outturns of tea, coffee, and deciduous fruits and vegetables, especially apples, pears, peaches, plums, apricots, and nectarines, have also risen to the point where these crops now meet internal demand.

Many Challenges Ahead

The war slowed growth in agriculture in the past few years, leaving much of the economy in need of repair. However, indications are that the country's agricultural sector will flourish if the right investment is provided.

In an effort to calm the nerves of the country's 5,400 white farmers (down from 6,400 at the time of UDI), Mugabe has appointed the former president of the Commercial Farmers Union, Dennis Norman, as the new Minister of Agriculture. About half of Zimbabwe's farmland is controlled by white farmers, and 90-95 percent of the country's agricultural exports are produced on white-owned farms. Mugabe indicated that white-owned farms will not be expropriated as the Government instead seeks to settle black farmers on unoccupied land.

With the ending of economic sanctions, Zimbabwe is also expected to participate in a number of international trade organizations and compacts in order to gain better access to foreign markets.

The country is expected to become a signatory of the Lome Convention next year. Named for the Togolese capital where it was first concluded in February 1975, and later revised in October 1979, the Lome Convention regulates trade and overall relations between 58 African, Caribbean, and Pacific nations (ACP's) and the European Community. The Lome II Convention will govern relations between the two groups until its expiration on February 28, 1985.

Lome II provides for a number of trade benefits to the ACP's. The main ones are:

- Elimination or reduction of duties on ACP exports to the EC;
- Introduction of the so-called stabilization of export earnings (STABEX); and
- Establishment of quotas and guaranteed minimum prices for ACP sugar sold to the EC.

Zimbabwe also expects to become a member of the International Sugar Agreement (ISA) next year. The purpose of the ISA is to stabilize conditions in international trade and to eliminate extensive price fluctuations. Most of the major sugar-exporting and -consuming nations are members of the ISA.

Two-way agricultural trade between the United States and Rhodesia never was very sizable—totaling only about $2 million annually during 1963-65—but this too will resume now that the U.N. sanctions have been lifted. The United States granted Zimbabwe specialized treatment under the Generalized System of Preferences (GSP) on April 1, 1980. Tobacco exports are not included under the GSP, but one of the first agricultural imports by the United States from Zimbabwe following the removal of sanctions will be tobacco. □

Japan's Higher Incomes Whet Demand for Meat

By Lois Caplan

Higher personal income in Japan is generating an upgrading in consumer diets, with resulting increased demand for such animal proteins as beef, pork, poultry, and dairy products.

The United States stands to gain from this trend by expanding its exports of beef, as well as pork and poultry, to Japan.

Increased imports of these items by Japan will be needed to supplement domestic production and thus help meet continued strong demand, while imported feed items will be sought to supplement limited supplies of domestically produced feed components.

Steady growth in consumer demand for beef in Japan has been accompanied by expansion of fast-food outlets selling items containing beef and the rising popularity of dining away from home. During 1976-78, fast-food outlets selling hamburgers boosted their sales by 30.9 percent, and those specializing in gyudon (rice with beef) by a strong 73.2 percent.

Since 1965, expenditures of households of two or more for dining out have increased at an average yearly rate of about 20 percent, and those of single-member households at an average of over 30 percent.

Further increases in beef consumption may also result from smaller fish catches, which have been declining since the imposition in 1977 of the 200-mile offshore limit. Although fish is a very important item of the Japanese diet, higher prices for fish resulting from reduced supplies appear to be causing consumers to switch to other sources of protein, including beef.

The Japanese Government has followed a policy of encouraging growth in domestic beef production to supply most of the increased demand.

Projections by the Ministry of Agriculture, Forestry, and Fisheries (MAFF) for 1990 target a self-sufficiency ratio for beef of 71 percent, based on production estimates of 630,000 tons and consumption estimates of 890,000 tons. This ratio is intended to be a guideline for policy, rather than an actual forecast of production and consumption.

Japan has chosen to maintain a certain level of self-sufficiency in beef production, despite its need to import much of the increased feedgrain requirements.

To maintain this self-sufficiency, the Government must protect domestic beef producers—an objective achieved by supporting domestic beef prices at relatively high levels, imposing a tariff plus various surcharges on imported beef, and setting import quotas.

These measures are designed to make small-scale beef production in Japan profitable, encourage its expansion, and collect revenues to finance its future development.

In 1975, the Government instituted a price stabilization scheme to help support the domestic wholesale price of beef.

At the beginning of each Japanese fiscal year (Apr.-Mar.), MAFF sets wholesale floor and ceiling prices for second-grade Wagyu beef carcasses and second-grade dairy steer carcasses. (Although second-grade beef accounts for only about 30 percent of total domestic production, it represents the most volatile sector with respect to price fluctuation.)

The beef-price stabilization policies provide for a buffer-stock system to keep domestic prices within floor and ceiling prices. When market prices move toward or above the ceiling price, the Livestock Industry Promotion Corporation (LIPC) releases beef from its stocks and/or MAFF allocates additional import quotas to increase the supply of imported beef.

When domestic prices move below the floor prices, LIPC—to support the wholesale price—is authorized to buy beef at wholesale markets or from producer associations and place it in cold storage.

Since the beginning of the program, no purchase of domestic beef has been made. Beef used to stabilize the domestic market up to now always has been imported beef.

Another protective measure is the strict regulation of foreign beef supplies through an import quota system. A general quota and special quotas are established, and allocations are made under both. Examples of the special quotas are those for hotels, restaurants, school lunches, Okinawa, and boiled beef.

After reviewing the domestic supply and demand situation, the Ministry of International Trade and Industry (MITI) and MAFF decide on semi-annual import quota levels. MITI then allocates the quota between the LIPC and the private companies previously authorized to import beef.

Quotas can be suspended or cancelled, or the Government may decide to increase imports after quotas have been announced if the domestic situation warrants such a move.

For example, when domestic prices of wholesale beef dropped sharply in December 1973, the Government suspended part of the quota. Data for 1974 show a zero quota, and no significant new beef quotas were announced until the end of June 1975.

A breakdown between general and special quotas shows a continual increase in the level of special quota imports since 1975. Beef imported under the special quota is used mainly for the hotel trade and school lunches.

Finally, Japan imposes a 25 percent ad valorem tariff on all imported beef, the proceeds of which go directly into the consolidated revenue account.

In addition, various surcharges are levied on imported beef to reduce the disparity between the price of beef (landed in Japan) and the domestic price.

Aside from regulating imports of beef in various ways, the Government has been active in programs designed

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to increase beef production, such as subsidies for pasture improvement and enlargement.

Pasture productivity can be increased—and the forage made more nutritious—by modern methods of improvement, use of high-yield pasture mixtures, proper fertilization, and efficient management.

Efforts to enlarge pasture area include increasing area planted to grasses and forages—especially in the upland areas—and the development of public land for pasture.

Along with steps to expand and improve pastures, Japan has implemented measures to increase the domestic supply of feedgrains to meet growing feed requirements. These programs include subsidies to farmers for increasing production of hay and fodder crops as second crops on rice paddy area and on land diverted from rice production.

As a result of these efforts, area in pasture and other fodder crops increased from 875,600 hectares in 1977 to an estimated 950,000 hectares in 1979.

To increase production levels, the Government has taken steps to encourage expansion and improvement of beef herds. These steps include making credit available for improvement of local breeds and development of better feeding methods.

In addition, the Government has promoted the establishment of breeding centers to facilitate artificial insemination and distribute improved strains of livestock to producers. The Government also carries on research programs and provides extension services to farmers.

Even with programs to expand pasture area and increase forage production, limited land for grazing and production of forage crops is a major constraint for domestic beef production, causing producers to rely increasingly on imported feedgrains.

A breakdown of land utilization in Japan for 1977 shows total land area at 37.2 million hectares. Of this total, cultivated land amounts to 5.7 million hectares (15.3 percent), orchards 415,000 hectares (1.1 percent), and feed and forage crops 875,000 hectares (2.4 percent). Forests take up the largest share—68.8 percent. About 6 million hectares (16.1 percent) are used for housing, factories, roads, etc.

In the United States, cattle raising takes advantage of extensive pasture and range area and abundant feedgrain production. Animals are usually pastured or ranged for about 1 year before being sent to commercial feedlots, where they are fed to reach a slaughter weight of 1,100-1,200 pounds. Some cattle—so-called nonfed beef—feed through a second season on pasture.

Japan, by contrast, has very limited pasture area and must import most of its feedgrain requirements. Typical beef production in Japan takes place on small farms—usually 1 or 2 head of cattle per farm—and is mainly a sideline activity to other farm enterprises.

Because of the shortage of pasture land for grazing, cattle are usually kept in barns or sheds—sometimes year-round—and are hand-fed. This type of cattle raising requires more labor than pastured cattle, thereby boosting the cost of production.

Recent efforts to expand output and modernize production have led to the development of larger feedlot operations, where comparatively large numbers—20-200 head—of cattle are confined and fed mostly concentrates—grain, oilseed meals, fishmeal, bran, or potatoes.

There still are very few operations with 200-1,000 head capacity, however, and only about 5 percent of male animals for slaughter are fattened on lots with a capacity of 1,000 head or more.

Despite the Government's concern with maintaining a high self-sufficiency ratio for beef, an increased volume of imported beef probably will be necessary to supplement domestic production and thus meet continuing strong demand among Japanese consumers.

Recognizing this situation, the Government set beef import quota for the first half of 1979 at 63,000 tons—the largest first-half quota since 1973. Imports of high-quality (grain-fed) beef—for which the United States is the main supplier—are expected to reach 20,800 tons in the fiscal year that began April 1 and 30,800 tons in the fiscal year beginning April 1983.

Japan's growing domestic beef industry will require an expanding volume of imported feedgrains to supplement domestic feedgrain production. Although the Government offers incentives for converting rice area to other uses such as forage crops and pasture, Japanese farmers have been reluctant to make the switch. High market values for farmland in Japan tend to encourage intensive cultivation—such as for rice—and discourage low-intensity uses, such as pasture. □

A native Japanese (Wagyu) cow-calf herd in winter. Japan encourages production of beef with high support prices, import duties and surcharges, and quotas.

Despite Good Harvests, China's Imports of Many Commodities Increasing

Good growing weather and liberalized economic policies in China last year helped boost production of grains, oilseeds (except soybeans), and vegetable oil.

However, the effect of these larger outturns on projected imports during 1980 is expected to be varied.

For example, China's grain imports—mostly wheat and corn—are expected to decline from about 11.1 million metric tons for 1978/79 to 10-10.5 million tons for 1979/80, partly because of the relatively large (332.1 million tons) 1979 grain crop, which exceeded the year-earlier harvest by about 27 million tons.

On the other hand, China's purchases of soybeans from the United States during 1979/80 (Sept.-Aug.) by April 1, 1980, had already exceeded 700,000 tons—substantially higher than the previous year's imports of U.S. beans.

Also, Argentina may have already sold 200,000-300,000 tons of soybeans to China this year, and sales to China by Brazil are a distinct possibility.

Total edible vegetable oil production from the 1979 crop is estimated at about 3 million tons, up 5 percent from the 1978 level. Rapeseed oil—China's leading vegetable oil—in 1978 accounted for about a third of total vegetable oil production.

Probably the most noteworthy recent shift in China's farm trade pattern is the very sharp increase projected for cotton imports—from about 2.2 million bales in 1978/79 to possibly as high as 3.2 million bales in 1979/80, including expansion of the U.S. share from almost 650,000 bales in 1978/79 to about 2 million bales in 1979/80.

The outlook for China's production and trade follows:

Grain. China's wheat imports for 1979/80 are expected to hold at about the year-earlier level of 8 million tons, while imports of coarse grains—mostly corn—are projected to decline to 2-2.5 million tons from 3.1 million tons in 1978/79.

Several factors are involved in China's pattern of grain imports. One is an apparent policy shift. About a year ago, China set procurement policies that suggested an increase in the amount of grain to be left in rural areas for local consumption.

An existing multiyear agreement with Argentina, plus agreements with Canada and Australia, and the stated intention to buy 5-6 million tons annually from the United States, imply that China's imports could total 10.5-13 million tons annually through 1981.

Despite the improved domestic outturns of grain and the new policy that allows higher stocks on communes for consumption by producers, grain supplies for major urban situations will have to be met to a significant degree by imports.

Internal transport problems continue to hamper the flow of grain to China's major cities, thus leaving a large part of urban grain demand to be met by imports.

China's grain imports could rise over the next several years because the rate of grain production increases achieved in the past 2 years is not likely to be maintained.

At least a portion of the expanded procurement from the 1979 grain crop may have come from commune reserves. And Government plans to provide grain for areas growing mostly cotton and other industrial crops will—if carried out—lower the availability of grains for urban areas.

Also, weather conditions in 1979 were better than normal. However, growing conditions were more favorable for the early grain harvest than for the late harvest, and thus the availability of fall-harvested grains—about two-thirds of the total annual outturn—is relatively tight and domestic prices are firmer.

These factors suggest that total grain imports for 1980/81 could be higher than in 1979/80, although a number of factors—including the price of foreign grain, political interests, and decisions on upgrading consumer diets—will bear significantly on the volume of imports.

The Chinese have recently revised their expectations for grain production in the 1980's. Attainment of the 400-million-ton goal, once projected for 1985, is now set for the end of the decade.

Soybeans. The projected 1-million-ton level of soybean imports for 1979/80 is substantially higher than the 1978/79 import volume, and exports of food-use soybeans are down from about 275,000 tons in 1978/79 to about 250,000 tons in 1979/80.

Cotton. Several factors are involved in the dramatic increase projected for 1979/80 imports. China's outturn of cotton is well below the 1973 level, and efforts to boost production in 1978 and 1979 met with only limited success.

Meanwhile, domestic mill requirements have increased substantially, as has the need to export larger quantities of textiles to earn foreign exchange. In addition, domestic stocks in 1979 probably were drawn down to a very low level, as the bulk of the cotton purchased thus far was scheduled for delivery during the first half of 1980.

Although it is not likely that China will regularly import cotton at the 1979/80 level, imports should remain large for at least the next several years. The Government has announced programs to boost cotton production beginning in 1980, but even if the 1981 outturn reaches the planned level, it will only approximate 1973's total.

Vegetable oil. Production incentives and higher procurement prices resulted in a higher outturn and procurement of oilseeds (excluding soybeans and cottonseed) and vegetable oil. Area seeded to oilseeds was up by 660,000 hectares, outturn by 15 percent, and procurement of vegetable oil by 20 percent above

year-earlier levels. As a result, China's imports of soybean oil declined sharply in 1978/79.

Soybean oil imports are expected to remain relatively unchanged in 1979/80. However, supplies will be greater because of China's expanded crushings of imported beans.

Livestock. Production incentives and higher procurement prices were largely responsible for a significant improvement in the livestock sector.

Numbers of all major classes of livestock and procurements were higher in 1979 than in 1978, but the relatively slow rate of growth in total numbers suggests that annual increases during the next several years will have to be far higher than rates attained thus far if the 1985 goal of 900 million head is to be reached.

Earlier plans for introducing confined feeding of hogs and poultry—utilizing large quantities of feedgrains—are being deemphasized, and the Government is looking to greater utilization of pastures as the primary means of improving meat supplies.

Dairy. Production of dairy products—including cow and goat milk, and milk products—increased in 1979 by an estimated 10 percent, but availability of milk and milk products remains chronically short.

Although milk goats are a small part of the total livestock herd, they are regarded as an important means of expanding milk production rapidly, as they do not require feedgrains and can utilize China's extensive grassland areas.

Poultry. Higher procurement prices and liberalization of poultry raising as a private sideline has resulted in a substantial increase in numbers. Not all the increase was in the private sector, however. Some sizable confined chicken and duck operations were established in 1979, and the Chinese are discussing with private firms the possibility of joint ventures near Hong Kong to produce for export to Hong Kong and other markets.

Exports of chicken to Hong Kong in 1979 probably declined about 9.6 percent to 11,644 tons, although total poultry exports are estimated to have increased 1 percent to 25,223 tons, suggesting that China may be seeking markets other than Hong Kong.—*Based on reports from Beijing, Hong Kong, and FAS Washington.* □

Top: Commune members in China's Shaanxi Province deliver cotton to a State collection point. Middle: Workers in the Guangxi Zhuang Autonomous Region threshing grain. Bottom: Weighing grain harvest in Zhejiang Province, where yields usually are relatively high.

U.S. Poultry Product Exports In 1979—at $409.1 Million—Set Eighth Straight Record

By Jack Mills

Exports of U.S. poultry, eggs, and products reached a new high of $409.1 million in 1979—the eighth successive year in which a record was set. This new record—20 percent greater than in 1979 and two-and-a-half times the 1975 level—occurred despite continued limited access to many world markets, increased output in major producing countries, and subsidized competition from European Community (EC) exports.

Last year, the top five U.S. poultry and product markets, with takings in millions, were:

Japan	$65.8
Canada	$47.7
Venezuela	$29.4
Hong Kong	$25.2
West Germany	$23.2

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These purchases represented 47 percent by value of all U.S. poultry and egg exports last year. In contrast, the top five customers in 1975 took 57 percent of all such U.S. exports that year, although the value of their purchases was smaller by half. (Four of the "top five" in 1975 were also in that group in 1979, the United Kingdom being replaced by Venezuela.)

This increase in exports, together with a reduced concentration of sales to top markets, indicates that U.S. exporters are succeeding in developing new markets. This market diversification may be the most significant recent development in the U.S. poultry industry.

The value of most poultry export categories climbed in 1979. Live poultry exports were 13 percent greater than in 1978, poultry meat 27 percent, and egg exports 2 percent.

Substantial gains were made in exports of whole broilers, whole fowl, whole turkeys, chicken parts, and other poultry meat. Exports of chicken parts—the largest item in the poultry meat category—increased 18 percent to $118 million in 1979, accounting for 29 percent of the value of U.S. poultry, egg, and product exports.

Whole broiler exports were up 50 percent and those of fowl were 29 percent higher. Export sales of turkey meat in 1979 hit $37.1 million; those of whole turkeys jumped 41 percent to $10.1 million.

U.S. exports of eggs and egg products were up about 2 percent to $73.7 million. A 30-percent drop in exports of shell eggs for consumption to $11.9 million and further declines in frozen eggs and albumin were more than offset by a small increase in exports of dried eggs and a 37 percent jump in exports of eggs for hatching, valued at $39.1 million, or 53 percent of the value of all egg and egg product exports.

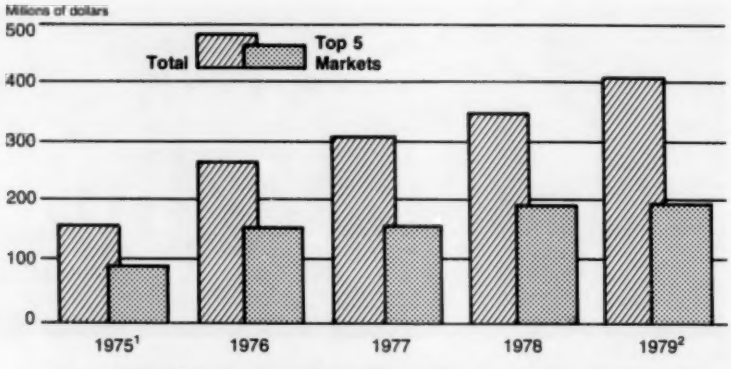
Japan was the leading market for U.S. poultry and egg products, despite a drop in value from $71 million in 1978 to $66 million last year. The primary reasons for the decline appear to be larger Japanese poultry and egg production, increased imports from Thailand and the People's Republic of China (PRC), higher freight rates from the United States to Japan, and an unfavorable dollar/yen exchange rate.

Japan took $45.8 million of chicken meat and $11.9 million of egg products last year to retain its No. 1 status as a market for these products. Also noteworthy was an increase in U.S. turkey meat shipments—totaling $2.1 million—up 15 percent from the previous year's level. Egg imports were down in 1979 and are expected to remain at the same level in 1980.

Chicken parts, primarily chicken legs, continued as the leading poultry export to Japan, with shipments of $40.1 million in 1979 representing a 3-percent decline from the previous year's level. But, despite a 1979 increase of nearly 11 percent in Japanese poultry meat production, and a 4-6 percent rise in 1980 projected by the U.S. Agricultural Counselor in Tokyo, poultry meat imports are seen rising another 15-20 percent in 1980.

The United States maintains a substantial share of the Japanese poultry meat import market, its proportion hovering around 56 percent for

U.S. Poultry and Egg Exports, Annual 1975-79



[1]Canada, Japan, West Germany, Hong Kong, and the United Kingdom.
[2]Japan, Canada, Venezuela, Hong Kong, and West Germany.

chickens, almost 100 percent for turkey, and 32 percent for other poultry meat.

U.S. poultry and egg exports to **Canada**, the No. 2 U.S. market, at $47.7 million, rose 6 percent in 1979, despite domestic production gains and import quotas on eggs, egg products, and turkey meat. The Canadian Chicken Marketing Agency commenced operations on June 29, 1979, and established import quotas for the latter half of the year. It is possible that Agency quotas in the future could affect U.S. exports of poultry and products.

U.S. exports of whole turkey to Canada were up by 97 percent in 1979, while shipments of turkey poults jumped 53 percent.

Mexico, the sixth largest U.S. market in 1979, took a thumping 80 percent larger volume of U.S. poultry and products in 1979 for a total of $18.3 million. Major increases were in purchases of table eggs, up 389 percent, and chicken parts, 112 percent greater.

U.S. poultry and egg exports to the **European Community** climbed by 19 percent to $44.2 million in 1979—a significant gain in the face of the EC's highly protectionist import system. However, prepared and preserved poultry items shipped to the EC are bound under the General Agreement on Tariffs and Trade at a duty of 17 percent ad valorem. These products, which thus do not come under the EC levy system, were the principal items exported to the EC, and continued to rise in 1979.

Exports to West Germany, the most important U.S. market in the EC for poultry and eggs, were up 10 percent in 1979 to $23.2 million—52 percent of all U.S. poultry and egg exports to the EC. The largest expansion was seen in U.S. exports of dried egg yolks (up 123 percent) and egg albumen (82 percent greater).

The second most important EC market is the United Kingdom, with U.S. poultry and egg exports of $12.1 million in 1979, up 51 percent from the 1978 total. U.S. exports of chicken meat showed an increase of 117 percent and turkey meat rose 83 percent.

In 1979, U.S. poultry and egg exports to the countries of the **Caribbean** region rose 41 percent to $52.6 million. Chicken part exports, totaling $22.1 million, were the most important poultry item exported to this area. However, U.S. broiler exports continued to increase substantially, climbing 70 percent higher than in 1978, while fowl exports soared 267 percent.

Venezuela remained the largest U.S. market in **South America** ($29.4 million) in 1979, taking about the same amount of exports as in the previous year. The rapid growth of U.S. poultry and product exports to that petroleum-exporting country appears to have leveled off. However, Venezuela will remain an important market for U.S. exporters as long as the Venezuelan Government does not limit access.

Among the other significant markets for U.S. poultry and products developing in South America are Argentina ($6.1 million in 1979) and Chile ($1.7 million).

Exports of poultry and products to **Hong Kong**, the fourth largest U.S. market for such items, grew by 3 percent in 1979 to $25.2 million. The major U.S. poultry product export to Hong Kong continued to be chicken parts—particularly wings—growing by 7 percent in 1979 to $15.4 million. The United States saw its fowl exports to that market expand substantially, increasing from $130,000 in 1978 to $1.5 million in 1979.

In 1979, the **Singapore** market for U.S. poultry and egg products continued to climb as U.S. sales there increased by 41 percent to $15.6 million. Chicken part exports, totaling $10.1 million, were up 46 percent, and were the most important poultry product shipped to that country in 1979.

Exports of U.S. poultry products to the **Middle East** soared in 1979. U.S. shipments of poultry and products to the area totaled $32.4 million, for an increase of 80 percent.

U.S. chicken meat exports to Mideastern markets rose by a whopping 228 percent to $24.5 million, with broilers showing the largest climb in this category, mounting by 439 percent.

Another bright spot in 1979 was the increase of 233 percent (to $3.3 million) in poultry and product exports to **Israel**. The major export items were whole broilers (valued at $2 million) and whole fowls ($700,000). However, such exports to Israel in 1980 are not expected to stay at these high levels since the 1979 increase came as the result of a short supply situation not likely to be duplicated this year.

It is almost certain that U.S. poultry and egg exporters will continue to face subsidized exports and restrictive trade barriers in 1980 and—most likely—in the years beyond, making more difficult the job of pushing shipments to a record for the ninth straight year.

The EC has introduced export subsidies on a worldwide basis (except for North America) on whole chickens, chicken parts, turkey, and turkey parts, which, no doubt, will help reduce current EC surpluses of chickens and turkeys.

In the short run, however, especially in 1980, the EC may not be able to make the necessary trade contacts and transportation arrangements, increase its freezing capacity, or develop methods to meet specialized packing requirements of a number of countries. But EC success in selling subsidized poultry in the Middle East—sales of which rose from 16,157 tons in 1973 to approximately 130,000 tons in 1978—demonstrates that it can overcome such problems and increase exports. Another major problem facing U.S. poultry product in the Middle East will be stronger competition from Brazil, China, and Thailand.

Further down the road, U.S. exporters will have to contend with larger poultry output in the Middle East and Africa. Some countries in these areas have been developing turnkey poultry operations that will start producing in the near future. A major problem in the Far East could be competition from the PRC, and also from Thailand. The PRC, already an exporter, is expanding domestic production. New turnkey operations may be approved only on the basis that the entire production be exported.

While the years ahead will present great challenges to U.S. poultry exporters, they will contain few unsurmountable problems. U.S. tradesmen already are in the process of developing new markets for U.S. poultry products, many of which are ready to take off, have created new products to meet the precise demands of foreign consumers, and are taking advantage of every sales opportunity in already existing markets.

Furthermore, they are backed by an aggressive industry cooperator—the Poultry and Egg Institute of America—which works with the Foreign Agricultural Service to open untapped markets and find new outlets in existing ones. □

USA Dry Pea and Lentil Council Helps Build Exports

Dry peas and lentils from the United States are important earners of export dollars. Exports of these legumes have been moving generally upward in recent years, largely because of the export promotion activities of the USA Dry Pea and Lentil Council, a nonprofit market development cooperator working with USDA's Foreign Agricultural Service to boost exports of peas and lentils.

Although U.S. pea production is relatively minor when compared with that of the Soviet Union, the People's Republic of China, and India, this country is one of the world's largest dry pea exporters. U.S. lentil production also is relatively small compared with that of India, Turkey, Syria, and the Soviet Union, but again the United States is a top exporter.

U.S. dry pea exports amount to about 60 percent of output and lentil exports constitute an even larger percentage of U.S. production, according to L.E. Pederson, Marketing Director for the Moscow, Idaho, organization. "In 1976/77, when U.S. crops and exports were particularly high, the United States shipped overseas nearly 82,000 metric tons of dry peas, worth more than $31 million, and some 35,000 tons of lentils, valued at nearly $19 million," Pederson said.

"In the year that followed, production and exports of both crops suffered serious setbacks because of unfavorable weather conditions. As a result, dried pea exports in 1977/78 fell to 44,000 tons, with a value of $19.7 million; lentil exports fell to just 8,500 tons, worth $6 million. By the following year, conditions had improved and 1978/79 production and exports of peas and lentils recovered and exports again climbed—to 97,285 tons for peas and 40,232 tons for lentils. In 1978/79, pea exports brought in $32.5 million and lentils about $24 million," Pederson noted.

Behind these sizable pea and lentil sales are a number of programs to build new uses for peas and lentils, as well as other projects to introduce these U.S. legumes into new markets and to boost traditional uses in existing markets.

In Japan, dry peas are being reconstituted and sold as a frozen food. In Japan and Taiwan they are being used as an extender for azuki beans in An paste, a mixture widely used for special-occasion confectioneries. In Taiwan and Hong Kong they are being used as a starch source for vermicelli, and in the United Kingdom, Japan, and Brazil, they are being reconstituted and canned.

"We've had less success in finding new uses for lentils," Pederson said. "At present, they have been introduced into some markets as snack items, although market research is underway to widen their utilization. And, of course, both dry peas and lentils are being used in traditional ways such as in soups and stews.

"Unfortunately, because foreign markets for U.S. dry peas and lentils are dispersed over such a wide area—more than 80 countries buy these U.S. legumes each year—market promotion activities must be concentrated in a relatively small number of outlets, while other somewhat less important markets receive less attention," Pederson said.

And because lentils generally reach the final market in dry form, whereas peas reach it in a variety of forms—dry, canned, frozen, and in blends with other foods—market promotion activities differ somewhat for the two.

USA Dry Pea and Lentil Council representatives stationed in Japan, the United Kingdom, and Lebanon are in continuous contact with dry pea and lentil importers and processors. These representatives supply up-to-the-minute trade data, and work with the trade to develop new markets. At the same time, they try to find other new uses for dry peas and lentils.

In addition, the Council participates in several exhibits a year geared to meet the needs of nutritionists, brings foreign technical teams to the United States, and sends technicians from the United States on market survey trips abroad.

For example, USA Dry Pea and Lentil Council teams made market survey trips to Latin America and the Far East in late January and early February 1980.

Continued on page 36

By Marcellus P. Murphy, Staff Writer, Foreign Agriculture

Promoting U.S. dry peas and lentils in Japan.

FACT FILE

CCC Financial Assistance Programs

Several financial assistance proograms for U.S. agricultural exporters are operated by the Commodity Credit Corporation (CCC) and are administered by the General Sales Manager of the Foreign Agricultural Service (FAS). The overall goals of these programs are:

- To permit U.S. exporters to meet credit terms offered by competitors from other countries;
- To prevent a decline in established U.S. commercial sales;
- To substitute commercial dollar sales for sales made under the Public Law 480 (Food for Peace) program or other concessional programs;
- To result in a new use of the imported agricultural commodities in the buyer country; and
- To permit expanded consumption of U.S. farm products in the importing country and aid in the increase of commercial sales of U.S. commodities to the importing area.

Over the years, these financial assistance programs have helped to develop, maintain, and in some cases expand sales in established markets by increasing demand for U.S. farm products. The program financing also has helped in meeting credit competition.

Guarantee Programs

Guarantee programs—which include the CCC's Non-Commercial Risk Assurance Program and a new All-Risk Guarantee Program—are slated to become the most important of export assistance programs in the years ahead, due to the need to balance the federal budget. The big plus of the guarantee programs is that they generate funds for CCC through the premiums charged for coverage provided, but require no budget outlays except in the case of default. Private U.S. banking institutions provide the operating funds, in contrast to export credit programs where the U.S. Government finances the export sales.

The Non-Commercial Risk Assurance Program, known as GSM-101, is designed to increase commercial exports of U.S. farm commodities by protecting U.S. exporters against the risk of losses arising from political problems abroad. This kind of protection makes it easier for U.S. exporters to locate financing and make sales, and also to meet competition from other exporting countries.

Basically, U.S. exporters are protected against losses arising from:

- War or civil strife, rebellion, or insurrection;
- Expropriation, confiscation, or similar government actions;
- Any government order, decree, or regulation of general applicability having the force of law; and
- Failure of the central exchange authority to transfer local currency into U.S. dollars.

If the foreign bank is an instrument of or is wholly owned by a foreign government, GSM-101 protects against the failure to make payment for *any* reason.

Operational details. If USDA determines that GSM-101 will be useful in increasing U.S. exports to a particular market, a public announcement is made that CCC will accept applications for noncommercial risk assurance on sales of a particular commodity to the specified country. The total amount of coverage to be provided is also specified.

Any U.S. exporter, with a sale of that commodity to a buyer in the country specified, may submit an application to CCC by phone or telex—to be later confirmed in writing. Since the assurance fee must be submitted to CCC with the written application, the exporter should first determine that bank financing will be available.

The export sale must be secured by an irrevocable letter of credit from a bank in the buyer's country. The repayment period cannot exceed 3 years from the date of export and the assurance agreement provides for export of the commodities within 12 months after the sales contract date.

Noncommercial risk assurance protection can cover the entire principal (port value) of the sale, including 6 percent annual accrued interest. There are no regulations governing the interest rates charged by the banks which finance the sale and variable rates are permitted.

Program accomplishments. The Non-Commercial Risk Assurance Program was first implemented in January 1978. During fiscal 1979 about $62.5 million worth of wheat, tallow, and feedgrains was shipped to Poland and $800,000 worth of cotton to Indonesia under the program.

However, use has picked up greatly in fiscal 1980 as U.S. exporters and foreign buyers become more aware of the program's provisions. Expanded financing is planned for fiscal 1981. In the upcoming fiscal year, roughly $2 billion will be made available for the CCC's guarantee programs. This level exceeds by $300 million the record amount of financing for the export credit program in fiscal 1978, but it will not have the budgetary impact of the export credit program.

The current Non-Commercial Risk Assurance Program is popular with U.S. banks because it allows them to make a profit from loans and in some cases it enables them to loan more money in markets where bank limits have been reached. Banks have helped considerably in promoting use of the program by U.S. exporters and foreign buyers.

The program is also gaining favor with foreign buyers since it enables them to negotiate credit terms as favorable as under the direct credit program. It also allows the use of variable rates—an important option when it is believed rates may decline in the future.

The All-Risk Guarantee Program, GSM-102. Currently, the General Sales Manager's staff is in the process of establishing an all-risk assurance guarantee program, which will guarantee payment for both commercial and noncommercial risks. This comprehensive program is expected to be ready for implementation in the fall of 1980, and is expected to be as attractive to U.S. interests and foreign buyers as the export credit program.

Export Credit Sales Program

The Export Credit Sales Program, GSM-5, is a commercial export financing program for U.S. agricultural commodities that has proved quite useful in the past. Basically, the program extends credit to buyers for periods ranging from 6 months to 3 years. Thus, it bridges the gap between the concessional terms offered under P.L. 480 and terms which call for cash payments on presentation of shipping documents.

History. The program was originally developed by the General Sales Manager to stimulate exports of surplus commodities held in CCC stocks. However, as these inventories were reduced, the short-term credit program was revised so that financing could be provided for other U.S. commodities from free-market stocks. In recent years, only privately owned stocks have been exported under GSM-5, although commodities purchased from CCC inventories may be eligible for financing for export.

Operational details. The terms under the export credit program are commercial—from 6 to a maximum of 36 months with equal annual repayments of principal plus accrued interest. Interest rates charged are in line with other commercial domestic rates. They are maintained at 1/2 to 5/8 percent above the prime lending rate. U.S. agricultural commodities eligible for financing are announced monthly. Eligible commodities must have been determined to be in adequate supply by the Secretary of Agriculture.

All credit transactions require an irrevocable commercial letter of credit from an acceptable bank authorizing the CCC to draw against when payment is due. The letter of credit is usually arranged for by the importer and issued by a foreign bank, with at least 10 percent of the financed amount confirmed by a U.S. bank for commercial risks. In some cases, a U.S. exporter or the importer arranges for the letter of credit from a U.S. bank.

The program finances 100 percent of the f.o.b. value of the eligible commodities but covers none of the ocean transportation costs or marine insurance.

Program achievements. Volume of financing under the short-term export credit sales program varies in line with the need to export—ranging from $250 million in 1975 to a record high of nearly $1.6 billion in fiscal 1978. Exports financed under the program during fiscal 1979 totaled a near-record $1.5 billion—3 percent under the record established in fiscal 1978 but more than twice the 1977 level.

With continued program emphasis on increasing grain exports, wheat and feedgrains accounted for $884 million or 58 percent of total financing. Twenty-one countries received CCC credit financing to increase their purchases from the United States. The top 10 markets by sales volume were Korea, Poland, Portugal, Pakistan, Romania, Greece, Peru, Brazil, the Philippines, and Egypt.

The total export value of all U.S. agricultural commodities reached $32.0 billion in fiscal 1979. The CCC short-term credit provided represented about 4.8 percent of the total U.S. export value.

Intermediate Term Credit

To meet the longer term credit needs of some prospective U.S. customers, the Agricultural Trade Act of 1978 authorized the CCC to extend credit from over 3 years to as much as 10 years for the following specific purposes:

- To finance the sale of U.S. breeding animals;
- To increase the import potential of foreign markets by indirectly financing facilities which will improve handling, marketing, processing, storage, or distribution of commodities with local currency generated from the resale of U.S. farm products in the importing country;
- To establish reserve stocks in the importing country, consistent with international commodity agreements or approved bilateral agreements to maintain such reserves; and
- To meet, but not encourage, credit competition from other exporting countries.

The law specifically prohibits use of intermediate term credit to provide balance of payments aid to foreign governments or for debt rescheduling purposes. Payment must be made in U.S. dollars.

The only intermediate credit program currently in operation—the Intermediate Export Sales Program for Breeding Animals (GSM-201)—has seen only limited use since it went into effect late in fiscal 1979.

Thailand

Imports of U.S. Cotton, Soybean Meal To Rise

Transplanting rice seedlings in Thailand.

Although adverse weather last year reduced some of Thailand's key harvests—notably sugar, pineapple, and rice—improved growing conditions this year are expected to permit a rebound in production and possibly an increase in sugar and pineapple exports.

Agricultural exports in 1979 were valued at more than $3 billion, including $180 million to the United States, up from a 1978 total of $2.5 billion that included $130 million to the United States. Total agricultural exports this year could exceed the 1979 level.

Thai imports of farm products in 1979 were worth an estimated $400 million, including $158 million from the United States, compared with $343 million in 1978, of which $125.5 million came from the United States.

Last year, the sharpest increases were in imports of cotton, wheat, and tobacco, which together account for over 87 percent of total U.S. exports to Thailand.

Other U.S. farm products moving to Thailand in greater volume during 1979 than in the previous year were dried fruits, canned vegetables, onions, fruit juices and beverage bases, wines, baby chicks, and bull semen.

Declines were registered for milk products, nuts, confectionaries, tallow, seeds, feed products, soybean meal, and breeding livestock.

Thailand is expected to increase its imports from the United States this year of cotton, soybean meal, tallow, and breeding swine, and possibly meat products, tobacco, seeds, and baby chicks. However, the outlook for expanded sales of U.S. packaged and processed foods is less promising.

Thailand's economic growth slowed from 9.5 percent in 1978 to 5.8 percent in 1979. The Thai economy continues basically agricultural, with 82 percent of the population classed as rural and agricultural products accounting for 60 percent of export earnings. The proportional contribution of agriculture to gross national product, is only about 27 percent, and is tending to decline.

For major commodity groups, the outlook for 1980 is as follows:

Rice. More than two-thirds of Thailand's total crop area is planted to rice. Production in 1978/79 was a record 11.2 million tons (milled), with exports reaching about 2.7 million tons (milled).

The 1979/80 crop is expected to be down by 8 percent, owing to the short monsoon and lack of irrigation for the second crop. Exports are expected to drop to about 2.2 million tons.

Wheat. Imports of wheat and flour in 1979 were about 170,000 tons, of which about 55 percent was from the United States and most of the rest from Australia. Annual per capita consumption of wheat is only about 3.7 kilograms, but is expected to expand by 15 percent annually. U.S. suppliers will continue to face strong competition, owing to lower shipping costs from Australia.

Corn and sorghum. Production for 1979/80 is projected at a record 3.3 million tons, of which two-thirds will be for export. Sorghum output is forecast at 240,000 tons, of which the export share will be over 60 percent. Production of both corn and sorghum is expected to increase, as new varieties promise higher yields and greater resistance to disease.

Tapioca. The 1978/79 outturn was an estimated 10.3 million tons, or 4.5 million tons of products. Only 5 percent of the crop is consumed domestically, much of it as tapioca flour. Exports in 1979 were about 4 million tons, mostly to Western Europe in the form of pellets and chips for feed. Production for 1979/80 is projected at 11 million tons, or about 5 million tons of products.

Vegetable oils and oilseeds. Thailand imported about 57,000 tons of soybean meal in 1979. Some of the U.S. shipments were financed under the Commodity Credit Corporation (CCC)

export credit program. A $4-million line of CCC credit is available for financing imports of U.S. soybean meal in 1980.

Dairy. The Government is giving priority to dairy expansion so as to trim the $50 million annual import bill for dairy products. In 1979, about 750 head of Friesian-Sahiwal heifers were imported from New Zealand, and imports of about 2,000 head of Australian Friesians are planned. The outlook for imports of U.S. dairy cattle is dim because of prices and freight costs. Sales of U.S. semen have been increasing, however.

Swine. Pork is popular in Thailand, and annual production is about 150,000 tons. In 1979, U.S. exporters sold fewer breeding swine to Thailand than in previous years. For 1980, a $350,000 line of CCC credit has been made available, and sales of breeding swine should pick up. Semen sales also show promise.

Cotton. The 1979/80 crop is projected at 97,800 tons of seed cotton (32,600 tons of lint), more than in the previous year but only 26 percent of domestic needs. Raw cotton imports for 1979 were about 94,500 tons, of which about 65 percent was from the United States. Demand for U.S. cotton is expected to continue strong.

Tobacco. Production for 1978/79 was about 76,260 tons, of which about 36,500 tons were exported—mainly to the European Community, Japan, and the United States. Imports in 1979 were up 25 percent in volume from the previous year's level. The U.S. market share remained at a high level, despite increased leaf prices, mainly because of the availability of CCC credit.

—Based on reports from Paul Ferree, U.S. Agricultural Attaché, Bangkok. □

Taiwan

Island Imports 1 Million Tons Of Soybeans in 1978 and 1979

Taiwan produces very little oilseeds for crushing and must import to fill its needs for both vegetable oils for human consumption and protein meals for livestock feed supplements.

Based on U.S. trade figures, Taiwan imported over a million tons of U.S. soybeans in each of the past 2 years. Little or no increase in import needs is anticipated for 1980.

A recent drop in Taiwan's pork exports to Japan and the resulting buildup in frozen pork stocks has brought a slowdown in the meat industry's use of soybean meal.

U.S. soybean exports to Taiwan during calendar 1979 amounted to a record 1,101 million metric tons, compared with 1,070 million tons the year before.

Total requirements have more than doubled in the past decade as imports totaled only 472,000 tons in 1969. The sharp gain resulted from the expanding livestock sector's increased demand for soybean meal and rapid expansion of demand for vegetable oils.

Taiwan imports virtually all of its soybean needs from the United States because of transportation advantages over other potential suppliers.

Government approved soybean import applications in 1979 were for 1.25 million tons but the depressed state of the livestock sector prevented an even greater increase in imports.

In a gesture to strengthen trade ties with Canada and to reduce its favorable trade

Kenya

Tight Food Situation Continues As Rainy Season Starts Poorly

Kenya is facing the tightest food supply situation it has experienced in many years—a condition aggravated by the prolonged drought that was finally broken by delayed rains starting in late April. At first, the rainfall was sporadic and less than normal. However, good rains were reported in May.

After generating a large surplus of corn—the main staple food—in 1977/78, Kenya is suffering from severe food shortages, especially of corn, wheat, bread, rice, and milk, at the same time that the country's trade deficit has deteriorated.

Although Kenya's total food production rose slightly in 1979, when put on a per capita basis the food supply actually dropped for the second straight year. The country's "long" rainy season—normally beginning in late March or early April—would immediately benefit pastures for milk production as well as fruit and vegetable crops. Still, the food situation remains critical.

Kenya's economy has been hard hit by weakening prices for coffee and tea, the perennial export stalwarts as prices for imported petroleum keep escalating.

To assist Kenya, the United States concluded in March 1980 a P.L. 480, Title I, agreement for the export of 40,800 metric tons of U.S. wheat worth some $6.9 million. Also, another agreement for additional wheat, and corn and rice, was being considered.

Kenya's large corn crop of 1977/78 overwhelmed the country's storage and marketing facilities, and substantial losses were incurred. Kenya has not imported large quantities of corn since purchasing slightly over 200,000 tons in 1965. However, corn imports during 1980 are expected to be at least 60,000 tons, and wheat imports are projected to reach record levels.

Should the "long" rains remain below normal, Kenya would have to import much more corn than currently projected.

In addition to weather, farm credit also plays a major role in Kenya's food production. This year, the Government is initiating a new production credit scheme for corn and wheat. In February 1980, the Government increased consumer and producer prices on a wide variety of farm commodities in an attempt to offer better incentives to

balance with that country, a Taiwan purchasing mission bought 25,000 tons of Canadian soybeans in May 1979 for November delivery. Original plans to buy 50,000 tons of Canadian soybeans were scaled back because the price was US $20 per ton higher than for U.S. soybeans. Observers in the trade believe this high soybean price will preclude additional purchases from Canada for the immediate future.

Taiwan's imports of all oilseeds other than soybeans in 1978 (the latest year for which Taiwanese trade data are available) amounted only to 20,701 tons, of which 9,496 tons were sesameseed and 3,504 tons were peanuts. In addition, Taiwan also imported 6,972 tons of coconut and palm oils.

Taiwan's per capita consumption of total fats and oils has fallen, with 1977 data (the latest available) showing soybean oil and butter the only two major vegetable oil products making gains. A drop in lard consumption, underway since 1976, is being partly offset by increased soybean oil use, a trend expected to continue.

Per capita consumption of soybean oil rose from 5.63 kilograms in 1976 to 6.22 kilograms a year later; the rise in butter usage was minor.

Oilseed crops of economic importance produced in Taiwan include peanuts, soybeans, rapeseed, and sesameseed. In 1979, their combined production amounted to 128,000 tons, and was sufficient to take care of only about 10 percent of domestic oilseed consumption for both crushing and food use. Total oilseed production in 1978 is estimated at 136,000 tons.

Taiwan's soybean production fell by 21 percent—from 51,718 tons in 1977 to 40,824 tons in 1978.

The Government's 1979 soybean production target was 71,000 tons, but output was 32,000 tons, largely because of competition from imported beans.

Peanut production rose sharply to 92,000 tons in 1978 (farmers-stock basis), compared with 77,000 tons in 1977, the result of increases of about 9 percent in both yield and area.

The 1979 production target for peanuts was 88,000 tons.

Production of Taiwan's two other oilseeds—rapeseed and sesameseed—is considerably smaller than that of soybeans and peanuts. About 3,000 tons of rapeseed and 1,000 tons of sesameseed were produced in each of the past 2 years.

Expansion of production of both crops is unlikely because of expected large supplies of low-priced soybean oil resulting from Taiwanese crush of U.S. soybeans.—*Based on report from Edwin A. Bauer, Agricultural Officer, American Institute in Taiwan, Taipei.*□

farmers to step up food production and marketing.

Following years of exceptional rains in 1977 and 1978, Kenya's corn stocks of more than 1 million tons were excessive at the end of 1978. With domestic prices well above world market levels, exporting was difficult, but 145,000 tons were exported during 1978/79. In addition, losses from spoilage were large because storage facilities were inadequate for the bumper crops. In early 1979, the corn price for farmers was reduced.

Last year, Kenya's corn production, estimated at 1.5 million tons, was the lowest in several years—largely because of the relatively smaller area and lower yields. At the end of September, stocks held by the National Cereals Board (NCB) had dropped to 125,300 tons, the smallest level since the early 1970's. In early 1980, the producer corn price was increaseed to $3.39 a bushel.

Corn is the dominant food staple in Kenya, providing 44 percent of the country's caloric supply. Most likely, annual per capita consumption has increased since 1972-74, when it was estimated at 98 kilograms by the Food and Agriculture Organization.

Corn also has gained importance in animal feeding, hitting a record of 70,000 tons in 1978/79. But this is still only about 4 percent of the country's annual consumption. While some corn is fed to beef cattle, it also goes into the rapidly expanding poultry production, which accounted for about 15 percent of total meat production in 1977-79, compared with 8.5 percent in 1969-71.

However, poultry enterprises—especially large-scale and specialized operations—could be set back by the current shortage of chicken feed, which is related to the wheat as well as the corn shortfall.

Kenya's wheat production in the 1979/80 season (July-June) is placed at about 120,000 tons, only about half the level of domestic consumption. In February 1980, the wheat price was raised to $6.05 per bushel, 25 percent above the June 1979 level.

Wheat area, at 104,400 hectares, is at the lowest level since the early 1960's. As a result, imports this year may approach 100,000 tons for the first time.

Rice is allocated monthly by the NCB for local distribution. Production in 1979 is estimated at 26,000 tons, milled basis. Imports are generally nil, and consumption remains very low.

Kenya is one of Africa's largest milk producers, but since late 1979 it has suffered from milk shortages. As drought and feed shortages bedeviled farmers, green pastures were practically nonexistent through early April—a stark contrast to the situation during the good rains of 1977 and 1978. Often a surplus milk producer, Kenya's per capita consumption—estimated at 37.4 kilograms—is relatively high for Africa. The Government launched a school milk program in May 1979 to aid marketing and nutrition.

Agriculture accounts for some 60-70 percent of Kenya's net foreign exchange earnings and makes up over 30 percent of the Gross National Product. One of the major reasons for the country's sluggish export performance is its reliance on tea and coffee exports, which accounted for $490 million of Kenya's $962 million in export earnings in calendar 1978. Export receipts from both coffee and tea are not reliable because of price fluctuations in world markets.

During the first 8 months of 1979, deliveries to the Coffee Board of Kenya fell 17 percent from the same 1978 period. Total deliveries for 1979 were estimated at 75,000 tons, compared with 84,300 a year earlier.

Tea production experienced another successful year in 1979, with production up about 6.5 percent to approximately 99,000 tons.—*By Lawrence A. Witucki, Economics, Statistics, and Cooperatives Service.* □

India

Top U.S. Soybean Oil Market May Raise Imports Sharply

This year, U.S. exports of soybean oil to India are projected to rise sharply as that country's gap in edible vegetable oils continues to widen. If the export gains are realized, it will mark the fourth straight year that India has been the top export market for U.S. soybean oil.

In calendar 1979, U.S. soybean oil exports to India slipped 16 percent to 225,-245 tons, but the value rose 2 percent to $166 million. These exports are projected at 350,000 tons in 1980.

India's harvest of major oilseed crops during 1979/80 is estimated at 12.6 million tons, down 6 percent from the previous season's outturn. Area seeded to oilseeds is estimated at 25.9 million hectares for both years.

The southwest monsoon during June-September 1979 was characterized by widespread drought that became serious in central India in late August. However, late but erratic rains improved the drought-stricken oilseed crops, enhancing the outlook for 1980 rabi (summer) oilseeds—particularly rapeseed and mustardseed.

Production estimates of India's major oilseeds for 1979/80, in thousands of metric tons (with 1978/79 outturns in parentheses), are: Peanuts (in shell), 5,-900 (6,387); cottonseed, 2,-300 (2,800); combined rapeseed and mustardseed, 2,000 (1,877); copra, 860 (850); sesame, 450 (540); and safflower, 225 (225).

In recent years, Indian production of edible vegetable oils has not kept pace with expanding demand, resulting in large-scale imports that are expected to range between 1.3 million and 1.5 million tons in 1980—or about one-third of usage. Vegetable oils—essentially soybean oil and palm oil—have accounted for most of the volume and growth of India's agricultural imports since 1976.

U.S. soybean oil exports to India declined about 43,-000 tons in 1979 from 268,-000 in 1978 while Brazil's shipments rose to 266,000 tons from 183,000 in 1978.

During 1977-79, imported soybean oil accounted for 44 percent of India's vegetable oil imports of 3.4 million tons valued at $2.1 billion. However, the U.S. share dropped from two-thirds in 1977 to one-half in 1978, and to one-third last year.

If U.S. soybean oil exports reach the level projected for 1980, the U.S. share would rebound considerably in this large market that has been dominated by the United States and Brazil.

U.S. soybean oil exports to India averaged 242,000 tons during 1977-79 and accounted for 26 percent of U.S. sales worldwide. During this period, Asia alone received nearly three-fifths of total U.S. soybean oil exports, with those to India accounting for 59 percent of Asian shipments. Sales to India in this 3-year period averaged $155 million.

The dramatic growth of India's demand for U.S. soybean oil is highlighted by comparing the 1977-79 period with the previous 5 years (1972-76) when imports of U.S. oil averaged only 30,000 tons—just 12 percent of Asian shipments and only 6 percent of worldwide sales.

Comparing averaged shipments of the two periods, U.S. exports of soybean oil to India increased sevenfold while those to Asia rose 117 percent and those worldwide gained 77 percent.

The bottom line in these comparisons reads: India alone accounted for 51 percent of the growth in export demand for U.S. soybean oil during 1977-79, while shipments to Asia accounted for 73 percent of the export expansion.

India's edible vegetable oil imports are primarily soybean oil and palm oil. Imports of palm oil, running at nearly 400,000 tons annually, were one-third greater than soybean oil imports in 1977, but slightly less in 1978, and only one-half as large in 1979.

About one-third of imported edible oils are processed for use in shortenings. Relatively favorable prices of palm oil and its lower processing cost—for use in shortenings—may result in the Government's State Trading Corporation (STC) increasing palm oil's import share in 1980.

Last July, India contracted to purchase 250,000 tons of Malaysian refined palm oil by June 1980, with additional purchases contemplated through spot markets. Malaysia has supplied more than 80 percent of India's palm oil imports since 1976.—*By J. Albert Evans, International Economics Division, ESCS.* □

Italy

Imports $395 Million of U.S. Soybeans and Products In 1979, Market To Grow

Over one-third of the $1 billion in agricultural products exported to Italy by the United States in 1979 consisted of soybeans and products, especially soybean meal.

During the past 5-year period (1975-79), U.S. exports to Italy of these products earned an average of $321 million a year. In 1979, U.S. exports of soybeans and products to Italy amounted to $395 million, or 39 percent of U.S. agricultural exports to that country.

Soybeans and their products surpassed grains and grain preparations as the leading U.S. agricultural export to Italy in 1977, and in 1979 soybeans and products exceeded grain and preparations by $137 million. In 1979, Italy was the third largest world market for U.S. soybeans and the second largest market in Europe for soybean meal.

Italy relies on imports of oilseeds for meal for about 46 percent of its oilseed requirements. In 1978, Italy's imports of oilseeds totaled 1.48 million tons, of which 1.2 million tons were soybeans. Imports of soybeans alone rose to 1.7 million tons in 1979. In addition to oilseeds, Italy each year has been importing in-

creasing quantities of oilseed meal, mainly soybean meal.

In 1978, Italy imported 1.14 million tons of oilseed cake and meal, up from 675,500 tons in 1974. Soybean meal imports totaled 1.1 million tons in 1978, and exceeded 1.2 million tons in 1979. High operating cost of Italian oilseed crushers are given as the main reason why Italy imports large amounts of oilseed meals rather than oilseed for crushing.

The United States has been the main supplier of soybeans and soybean meal to the Italian market in recent years. During 1974-78, this country supplied about three-fourths of Italy's imported soybeans and the same share of its soybean meal imports. The U.S. share of Italy's soybean meal imports in 1978 was 71 percent, a recovery from the slide from a high 84 percent in 1974 to a low 47 percent in 1977.

Other major soybean suppliers to the Italian market are Brazil and Paraguay. More recently, Argentina moved into the Italian market, providing 194,134 tons of soybeans in 1978, up from just 84,630 tons in 1977.

While Paraguay's soybean shipments to Italy have trended up from about 5,100 tons in 1974 to 120,414 tons—equal to 9 percent of Italy's total soybean imports—in 1978, Brazil's share of Italy's soybean market has plunged from a high 28 percent in 1975 to 7 percent in 1977 and to only 2 percent in 1978.

Brazil, in contrast to its failing performance as a soybean supplier, has moved strongly into the soybean meal market in recent years—its share rising from 6 percent in 1974 to 37 percent in 1977. Brazil's share of the soybean market dropped to 28 percent in 1978 as a result of a smaller soybean crop, but with normal production it is likely Brazil will again push its market share upward.

Italy's sizable imports of both soybeans and soybean meal are tied to the rapid growth in its mixed feed industry. Since 1974, production capacity of the industry has risen by nearly one-third, reaching 9.5 million tons in 1979.

Production of most livestock products, particularly pork and poultry meat, has increased rapidly. In 1979, red meat production (excluding edible offals) totaled 2.2 million tons, up more than 10 percent in 5 years. While beef and veal production has changed little since 1974, production of pork rose more than 30 percent to 921,000 tons during 1979.

However, these production rises were not sufficient to bring about a serious cut in Italy's livestock import deficit, which now stands at some $4 billion. (See *Foreign Agriculture* April 1980.)

Increased use of mixed feeds is evident in every segment of the livestock sector. Between 1974 and 1977, for example, output of compound cattle feed rose by about one-fourth to 2.4 million tons, while for the poultry meat sector, production of mixed feeds climbed by more than one-third to 3.6 million tons.

The livestock sector's increased use of mixed feeds has boosted consumption of oilseed meal. The sector is now consuming 2.5 million tons of oilseed cake and meal (2.3 million tons of it soybean meal), an increase of roughly 33 percent in 5 years, and compares with just 1.3 million tons a decade earlier. Soybean cake and meal, accounts for the bulk of Italy's oilseed meal consumption—roughly 95 percent in recent years.

Despite the steady expansion in the livestock sector, Italy's meat consumption continues to outpace production, and the deficit in red meats widens. Taking into account imports of live animals for slaughter, Italy's self-sufficiency ratio has dropped from 64 percent in 1974 to less than 60 percent in 1978.

Rising incomes and population growth will continue to push upward the demand for livestock products, particularly for pork and poultry meat. This demand is expected to force upward commercial feed production, and consequently push the use of soybean meals—along with other oilseed meals—well above the current level of 2.5 million tons.

But because of Italy's limited domestic oilseed production capacity, nearly all of its oilseed requirements—including those for soybean meal—will be met through imports. The competitive roles of Brazil and other South American countries is likely to expand in future years as they push soybean production and increase their exports.

However, the United States, being both the world's major producer of soybeans and supplier to the Italian market, will likely be the prime beneficiary of purchases.—*By James Lopes, International Economics Division, ESCS.* □

Ivory Coast

Growth and High Incomes Spur Rising Import Volume

Modern structures dominate the skyline of Abidjan, capital and major port city for the Ivory Coast.

The Ivory Coast—western Africa's standout performer in terms of economic growth and per capita income—continues to absorb a rising volume of such key agricultural imports as dairy and meat products, rice, wheat, and tobacco. The United States is an important supplier of rice and a minor supplier of tobacco.

Real growth of gross national product in the Ivory Coast last year was 5 percent, and per capita income was nearly $1,200—indicators of the relatively

high level of economic prosperity in the largely agricultural Ivoirian economy.

Cocoa and coffee together account for two-thirds of total Ivoirian export value, and the returns from these exports finance much of the country's economic development programs. Because of this heavy dependence on only two crops, world cocoa and coffee prices are of crucial importance to the Ivory Coast.

High world prices for cocoa and coffee in recent years have measurably contributed to the growing strength of the country's economy.

Production of cocoa for 1979/80 is estimated to be well above the record 1978/79 crop of 312,000 tons.

The major export markets for the Ivory Coast's cocoa are the Netherlands, the United States, France, the USSR, and West Germany. Data on exports are unavailable.

The 1979/80 coffee crop is estimated at 250,000 tons, compared with year-earlier production of 280,000 tons. Export data are unavailable.

The situation and outlook for other major commodity groups:

Dairy. There is no commercial dairy production in the Ivory Coast. Milk from local dual-purpose cattle is consumed in the immediate production areas.

Imports of dairy products have increased sharply during the past decade from about 42,000 tons (fresh-milk equivalent) to nearly 200,000 tons in 1979, mainly because of the availability of subsidized dairy product exports from the European Community.

Livestock. The total Ivoirian cattle herd numbers about 800,000 head. Meat production is about 10,000 tons, and imports supply about 45,000 tons (in meat equivalent), including imports of about 150,000 head of slaughter cattle from neighboring Mali and Upper Volta.

The bulk of frozen and chilled beef imports comes from Argentina, and lesser amounts come from South Africa, Botswana, and France.

Domestic production of beef—which supplies about 20 percent of total consumption—is expanding slowly in the Ivory Coast. A Government goal—perhaps overly optimistic—calls for a doubling of beef output to 20,000 tons by 1985.

Rice. By far the most important grain produced in the Ivory Coast, rice is consumed mostly in the producing areas. Less than a fourth of the total crop is milled at the country's 10 rice factories. Official Ivoirian statistics put 1978 (latest year for which data are available) rice production at 504,000 tons (paddy), up from 477,000 tons in 1977, 460,000 tons in 1976, but only slightly higher than 1975's 496,000 tons.

However, rice imports have been trending up in recent years—from about 50,000 tons in 1975 to an estimated 230,000 tons for 1980. The United States supplied a significant portion of these imports until early 1979, when higher prices turned the Ivory Coast to other suppliers..

Wheat. Wheat is not produced in the Ivory Coast. Imports of wheat (all from France) are increasing each year, and should reach 180,000 tons in 1979/80. The heavy European Community subsidy on French wheat exports enables shippers to land the wheat, c.i.f. Abidjan, at only about $140 per ton, which permits the Ivoirian Government to maintain a relatively low retail price for bread.

Oilseeds and products. Palm oil, the Ivory Coast's principal indigenous vegetable oil, is produced mainly on large Government-owned and managed plantations. Although output is rising through expanded area, goals are not being achieved.

Part of the production problem during the past few years has been dry weather, but the main obstacle appears to be plantation management—*Based on reports from Kenneth L. Murray, U.S. Agricultural Attaché, Abidjan.* □

Pea and Lentil Exports

Continued from page 28

During the remainder of 1980 the Council will:

- Promote the use of additional varieties of U.S. peas by Japanese An paste manufacturers;
- Cosponsor with the Japan Dry Pea Canners Association an exhibit at a function of the Japan Nutritionists Association;
- Research in Japan the use of Green and Yellow peas in snack items that can be promoted throughout the Orient;
- Promote the use of U.S. dry peas by larger segments of the Japanese, Korean, Singapore, and Malaysian vermicelli industry;
- Bring to the United States from the United Kingdom a scientist to establish canning-quality criteria for new pea varieties;
- Design, develop, and distribute to the trade a card containing under plastic samples of U.S. peas and lentils;
- Design and schedule in-store displays to promote sales of U.S. peas and lentils in Sweden;
- Conduct a test marketing research program for U.S. peas in Bombay, India;
- Monitor consumer acceptance of the first shipment of U.S. lentils to Egypt;
- Sponsor a trade team visit to the United States from the Southeast Asia area.

Dry peas and lentils have been important foods since the dawn of man's history, and are held by many botanists to rank second to the grass family in their significance to mankind. And over the millenia, peas and lentils have been the subject of constant efforts to improve the strains and boost yields.

As a result of these efforts, U.S. peas and lentils have exceptionally high yields. The Palouse hill region of eastern Washington and northern Idaho—where most U.S. peas and lentils are grown—offer climate, soil, and moisture conditions that have helped to push commercial yields of dry peas to 1.7-2.8 metric tons per hectare on dry land and to 3.3-4.4 tons on irrigated fields. Lentil yields average in the neighborhood of 1.1 tons per hectare and yields in the neighborhood of 1.7 tons are not uncommon.

As yields continue to rise—and they are likely to climb in the future—more peas and lentils will become available for export as growth in the U.S. market is expected to be limited. This means that more attention, therefore, will be given to promotion in export markets. □

TRADE BRIEFS

ASA Helps Panama, Costa Rica Discover Advantages of Soybeans

With assistance from the American Soybean Association (ASA), swine and poultry producers in Panama and Costa Rica are discovering the advantage of using soybean meal and cake in their animal feed programs. Although the swine and poultry sectors in these countries are in the infant stage of growth, imports of U.S. soybean meal and cake have increased substantially. For Panama, these imports rose from 3,721 tons in 1978 to 9,521 tons in 1979; for Costa Rica they increased from 8,192 tons in 1978 to 14,039 in 1979. In addition, ASA's human nutrition program for both countries has been well received. Both are trying to expand school feeding programs to include wider use of soy products.

Dutch Poultry Meat Exports Rising After 3 Years of Stagnation

After 3 years of stagnation in export growth, Dutch exporters of poultry meat were able to step up shipments in 1979, largely because of good volume sales of frozen souphens—and some broilers—to the USSR and whole turkeys, thighs/drumsticks, and preparations to West Germany. These exports totaled 263,000 tons last year, compared with 249,100 in 1978. Sales to the Soviet Union jumped from 2,967 tons to 18,529 in just 1 year, while 1979 shipments to West Germany amounted to 151,500 tons, 96 percent of the 1978 total. Dutch poultry meat exports are forecast to increase again in 1980 to around 266,500 tons, with the largest gain expected in broilers, which account for about 80 percent of total poultry meat exports.

U.S. Cotton Share of Hong Kong Market Runs at 50 Percent

Hong Kong's raw cotton imports for the first half of the current marketing year were up 17 percent to 500,032 bales (480 lb net). Approximately 238,000 bales, or nearly 50 percent, were of U.S. origin. Shipments from India, the second largest supplier, were also up from the comparable period last year. The U.S. share of the Hong Kong cotton market is expected to be about 50 percent for the rest of MY 1980, compared with 53 percent in MY 1979.

Prospects 'Bubbling' For U.S. Beer Exports

There's a bright bubbling in export prospects for U.S. beer, which under authority of the Export Administration Act of last September is now allowed to be promoted as an export item by USDA. To determine the export potential of beer, a special study on beer import regulations in foreign countries has been made. The study included tariffs, ingredients, licenses, and other regulations in 64 countries. In calendar 1979, U.S. beer exports totaled $29.3 million. For more information on the study, contact Anne Vignovic, U.S. Brewers Assoc., Inc., 1750 K Street, N.W., Washington, D.C. 20006.

U.S. Durum Wheat Sales to Tunisia Already Set Record

U.S. Durum wheat exports to Tunisia had already reached a record 286,000 tons through April 20. The total through April 20, including, 32,000 tons shipped under P.L. 480, Title I, is 62 percent over the former high of 177,000 tons in 1977/78 (July-June) and three times last season's low level of 95,000 tons. The gain this season makes Tunisia the second largest U.S. Durum market, behind Algeria. Total U.S. wheat exports, including Durum, to Tunisia are projected at 400,000 tons, giving the United States about a 60-percent share of that market.

Fully Alcohol-Powered Vehicles Go on Sale To Brazilian Public

In Brazil, the public can now buy fully alcohol-powered vehicles as that country continues to use agricultural resources to combat rising energy costs. Previously, these vehicles were available only to the Government. This year's production goal is 150,000 vehicles. The advantage is apparent at the gas pump, where at the end of March alcohol cost $1.30 per gallon versus $2.11 for "regular" gasoline.

Prospects Disappointing For Mexico's Strawberry Harvest —and Exports

Largely because high sugar prices in Mexico and low U.S. strawberry prices have held down prices paid to Mexican growers, it is unlikely that Mexico's strawberry shipments to the United States in 1979/80 will reach the 115-million-pound export quota. The large U.S. market takes over half of Mexico's production of strawberries, both fresh and frozen. In 1978/79, Mexico exported about 120 million pounds of the 130-million-pound quota set for that season. In addition to the disappointing export prospects, the Mexican harvest is expected to decline despite a slight increase in area. The combination of poor growing conditions and pest problems means lower yields. As a result, output is not expected to exceed 80,000 tons, a reduction of about 8,000-10,000 tons from 1978/79.

Yugoslavia Promoting Poultry Exports to Developing Countries

Yugoslavia is attempting to develop export markets for some poultry products and eggs—especially in developing countries. Broiler exports in 1979 are estimated at about 1,000 tons, compared with just 100 tons the previous year. For 1980, the Business Association of Yugoslav Poultry Producers announced that about 3,000 tons of broilers and other chicken meat will be available for export . . . mainly to Arab countries.

Pakistani Cotton Exports Jump Sharply

Pakistani exports of staple cotton for 1979/80 are estimated at 1.1 million bales (480 lb net), up dramatically from only 246,000 bales the previous year. Contracts for these exports already have been made with over 35 countries. The major markets are Hong Kong, Japan, and China. The large jump in exports stems primarily from increased production, which rose from 2.1 million bales in 1978/79 to over 3 million bales this season.

Additional Assurance Granted on U.S. Soybeans to Poland

An additional $5.02 million in risk coverage against payment defaults for noncommercial reasons is available to U.S. exporters selling soybeans to Poland, according to a recent announcement by Kelly M. Harrison, General Sales Manager and Associate Administrator, FAS. This coverage is available under the Commodity Credit Corporation's noncommercial risk assurance program (GSM-101). Harrison said U.S. exporters have utilized all credit guarantees previously earmarked for soybean sales to Poland.

WORLD AGRICULTURAL DAYBOOK

JUNE

Trade Fairs/Exhibits

Date	Event and Location
In June	U.S. menu promotion, Jakarta.
In June	Food & Agriculture Show; São Paulo, Brazil.
May 15-June 15	U.S. menu promotion, Seoul.
June 9/10	Attaché Food Product Display; Oslo, Norway.
June 17-19	Munster Cork City Agricultural Show; Cork, Ireland.
June 24-25	Michigan agricultural products show, Cairo.
June 30-July 3	Royal Agricultural Show; Coventry, England.
Late June-early July	U.S. beef, fruit, and vegetable menu promotion, Kuala Lumpur.

Meetings

Date	Organization and Location
In June	U.S.-EC discussion on European Community enlargement, Brussels.
In June	U.S.-Poland Research Board, Washington, D.C.
June/July	U.S.-EC semi-annual bilateral consultations, Brussels.
Week of June 2	U.S.-Bulgarian agricultural working group, Sofia.
2-6	World Food Council; Arusha, Tanzania.
3/4	Pakistan Consortium (food aid), Paris.
3/4	OECD Council, Paris.
5/6	India Consortium (food aid), Paris.
9/10	Egypt Consortium (food aid), Paris.
9-11	GATT Dairy Council, Geneva.
9-13	UNCTAD Commodities Committee, Geneva.
9/21	International Seed Testing Assn., Vienna.
11-13	OECD working party, agricultural policies, Paris.
12/13	GATT Meat Council, Geneva.
15-19	Natl. Renderers Assn., White Sulphur Springs, W. Va.
16-20	ECE Symposium, Cooperatives; Geneva.
16-27	FAO African regional conference; Lome, Togo.
19/20	OECD working party, fruits & vegetables, Paris.
22-26	American Seed Trade Assn., San Diego, Calif.
23-25	OECD working party, dairy products, Paris.
24-27	International Wheat Council, London.
25-27	OECD working party, meat, Paris.
30	U.S.—Spain Scientific & Technological Cooperation Committee; Santander, Spain.
June 30-July 2	OECD price formation and food systems seminar, Paris.
June 30-July 3	Food Aid Committee special meeting, London.

Trade/Technical Team Trips

U.S. Teams Overseas

Date	Team	To
May 10-June 2	Grain dust explosion & elevator safety	Philippines, Taiwan, Korea.
May 14-June 1	Natl. Hay Assn.	Japan, Taiwan.
May 17-June 10	Seed mission	Belgium, France, Switzerland, Austria, German Democratic Republic, Bulgaria

Foreign Teams in the U.S.

Date	Team	To
May 15-June 15	Chinese soil and water management	Mississippi, Columbia, & Colorado basins; arid western areas; eastern lowlands; Mississippi Delta; northeastern lakes; farms, pastures, and orchards under irrigation.
May 18-June 5	Japanese dairy nutrition study	Illinois, Ohio, New York, Massachusetts, Vermont, New Hampshire, California.
May 24-June 8	Japanese soybean wholesalers	California, Illinois, Iowa, New York, Tennessee, Arkansas,Louisiana, Texas, Washington State, Washington, D.C.
May 29-June 14	Portuguese wheat trade mission	New York, Minnesota Missouri, Kansas, Texas, Washington, D.C.
May 25-June 8	Spanish dairy producers	Arizona, California, Connecticut, Washington, D.C.
June 1-23	Philippine baking executives	California, Colorado, Oklahoma, Kansas, Minnesota, Illinois, Oregon, Washington, D.C.
June 5-14	Japanese broiler	California, Nevada.
June 7-14	Latin America soybean team	Minnesota, Iowa.
June 8-20	Colombian wheat trade mission	Texas, Missouri, Kansas, South Dakota, New York, Washington, D.C.
June 23/24	Uruguayan grape procedures	New York.

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Producer Cartel Chances Slim as Cocoa Pact Ends

In the aftermath of the collapse of the International Cocoa Agreement (ICA) on March 31, the Ivory Coast and Brazil hope to spearhead a drive for a producer cartel to bolster cocoa prices. However, these efforts may be difficult in the face of restrained demand and rising world production.

The ICA became operational on October 1, 1973, and was renegotiated in 1975. It was terminated as the International Cocoa Organization—composed of representatives of cocoa producing and consuming nations—failed to agree on a new price range that more closely reflected market conditions.

The ICA had been granted a 6-month extension from its original expiration date of September 30, 1979, because producers and consumers remained deadlocked over a new price range. As a result of the failure to reach a new accord, the international organization itself will cease to exist in June.

The producers, led by the Ivory Coast and Brazil (two of the largest cocoa producers), held out for a price range of $1.20-$1.66 per pound, while most consumers favored a range of $1.00-$1.46. During the past several years, the ICA price range was 65-81 cents per pound. Although not a member of the ICA, the United States—the world's largest cocoa consumer—participated in the negotiations.

During the life of the ICA world cocoa prices remained well above the designated price ranges, so its export quota and buffer stock functions were never implemented.

However, $210 million had been collected by the buffer stock fund, which now will be distributed to producers based on their share of contributions. The money in the buffer stock fund is reportedly invested in the European currency market. Some 40 percent of the funds will be available to producers in June, while the remainder will likely be tied up until next year.

The Ivory Coast and Brazil have indicated that they and other producers will now form a producer cartel to support world cocoa prices. The cartel would be similar to the "Bogota Group" of coffee exporters.

However, high world cocoa prices in recent years have encouraged growers to expand output, and world production is expected to increase over the near term. With the current world economic slowdown, curtailing demand for cocoa and chocolate, producers may find it difficult to maintain prices at high levels.

Cocoa bean prices during January-March 1980 averaged $1.39 per pound—5 cents below the full-year 1979 average. In 1978, the average was $1.53, down from a record high of $1.72 per pound in 1977. In the preceding decade (1967-76), cocoa bean prices averaged 45 cents per pound.—*By Rex Dull, agricultural economist, Horticultural and Tropical Products Division, FAS.* □